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BATTLE STATIONS FOR ALL

*The Story of the Fight to
Control Living Costs*



OFFICE OF WAR INFORMATION

Washington, D. C.

THE SEVEN POINTS OF OUR NATIONAL ECONOMIC POLICY

1. Tax heavily and hold profits down.
2. Fix ceilings on prices and rents.
3. Stabilize wages.
4. Stabilize farm prices.
5. Save more; buy less.
6. Ration all essential commodities that are scarce.
7. Discourage installment buying and encourage paying off debts.

Published by

OFFICE OF WAR INFORMATION

With the cooperation of: Department of Agriculture, Bureau of the Budget, Department of Commerce, Federal Reserve Board, Department of Labor, National Housing Agency, Office of Economic Stabilization, Office of Price Administration, Department of the Treasury, War Labor Board, War Manpower Commission, and War Production Board.

February 1943

ABOUT THIS BOOK

This is a basic handbook on the fight to control living costs and prevent inflation. President Roosevelt has described this fight as the "one front and one battle where everyone in the United States—every man, woman, and child—is in action, and will be privileged to remain in action throughout this war." This book will tell the reader the story of this side of the war.

While the basic principles of economic stabilization are unchanging, details of the program are changing constantly. In fact, since this book was prepared, three important developments have taken place which should be noted by every reader.

First, on the *\$25,000 a year, after taxes, limit on salaries*. On March 12 the House of Representatives voted an amendment of this limitation, which amendment at this printing is under consideration in the Senate.

Second, on the *incentive payment plan worked out by the Department of Agriculture for selected crops*. Following the announcement of the program, the Secretary of Agriculture requested a \$100,000,000 appropriation to carry out the plan. This request for funds was voted down by the House Agriculture Subcommittee of the Appropriations Committee. The subcommittee took the position that farm production should be stimulated through higher prices. Secretary Wickard has expressed his determination to press for action on the program by the full committee and the House and Senate.

Third, full details of the *meat rationing* program have been announced. The section in Chapter Eleven dealing with meat rationing covers only the voluntary rationing which was in effect until formal rationing could be instituted. None of the figures used in this section should be confused with the formal rationing program.

This book is a report by the Office of War Information on the facts about the fight to control living costs, and of policies of the various departments and agencies administering the program. Some aspects of the program are, of course, controversial. Within the limits of a book of this size it has not been possible to discuss these controversies fully. Persons who use this book should be certain to familiarize themselves with the various controversies that arise as they are reported by the press and radio and are debated on the floor of Congress.

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For additional copies of this book, write the Division of Public Inquiries, Office of War Information, Washington, D. C.

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1. HOME FRONTS AT WAR

In Italy today prices of most things are three times what they were when war began. Even rationed foods have gone up 50 percent in price. Eggs cost 18 cents apiece; chicken is more than \$1 a pound. A suit of clothes costs nearly 3,000 lire, almost twice what a semi-skilled worker can earn in a month. Little wonder that the Italian people are reported weary for peace.

We ask ourselves, perhaps too hopefully, will Germany's home front crumble again as in 1918? If it does the war will be shortened and many thousands of casualties will be spared. We might also ask ourselves how long will it take to complete the mobilization of our own home front, to stop scrambling for goods that we do not need, to stop clinging to what we know must be given up? On that answer, too, depends how long and costly the war will be.

Every day the war becomes more a struggle not simply of armies and navies but of home fronts as well. In enemy countries, where people and resources are strained to the limit, the question is: how long can the home front stand up? In the United States, it is a question of how long will it take to make our full strength effective.

How long? In war, time is ticked off in dead and wounded.

This battle of home fronts, which steadily becomes more crucial, is chiefly a struggle to control living costs and prevent inflation. Italy is an example of what happens when the battle is lost.

When prices skyrocket, the burdens of war fall unevenly and unfairly, morale is drained and the nation divided against itself. The wives and families of soldiers find their fixed allowances slashed. Unrest is stirred among farmers and workers. Their production falters. Without proper control over prices and wages, civilian producers compete against war producers for materials and manpower. War mobilization is impeded. It becomes impossible for anyone or any part of the nation to contribute the utmost toward hastening victory.

The extent to which prices and wages are controlled may decide whether the peace is won or lost. Rising prices and wages add needless billions to the costs of war. When peace comes, the bubble of inflated prices and wages can burst with terrible dislocations to workers, farmers, businessmen—to everyone.

We have only begun to fight

In the last war living costs more than doubled, and fell even more swiftly. In this war, taught by experience and armed with price controls and other measures, we have done much better. Living costs have risen only 21 percent since the outbreak of war, and the greater part of this increase came before price-control legislation was enacted. Still, the fight against inflation has only begun.

The threat of inflationary price rises grows out of the gap between spending power and available supplies of goods and services for civilians. From now on this gap will widen steadily. In fact, the gap is likely to be so great that the task of controlling living costs will no longer be simply a matter of keeping prices under ceilings but will become part of the broader task of organizing the entire civilian economy to win the war.

In his Budget Message the President called for war expenditures of \$100 billion in fiscal 1944, a budget which, as he said "presents the maximum program for waging war." One hundred billion dollars is a figure that rolls off the tongue rather lightly. Translated into production it is a startling figure. It represents more than the total value of all civilian production in the best peacetime year. To have increased our entire production to \$100 billion would have been a considerable feat. What we have undertaken, however, is to produce \$100 billion for war and, on top of that, enough civilian goods and services to meet the essential needs of our people.

The job can be done, but if we civilians are going to pass the ammunition it will require the complete planning of our civilian lives. It requires a fundamental shift in war organization.

Minimum needs only

While the war was taking only a fraction of our resources, we could do our planning on the basis of letting the military have what it wanted, leaving what remained for civilians. The limits to our war strength were how much manpower, materials, and facilities the military could use. But as an ever-increasing proportion of our resources is fed into war, the problem of war organization changes completely. The limits to our war strength become the minimum of our resources which must be kept for civilians.

It becomes a question not of how rapidly soldiers can be drafted and trained, but of how many men and women must be kept behind the lines in fields, factories, and homes to see that our armed forces and those of our allies are furnished the equipment that they need. How

much copper can be devoted to producing munitions is limited by the bedrock minimum of copper needed for maintaining power lines, extending new lines to camps and new plants, essential repair parts, etc. Copper for these purposes is as vital as copper for shells. It is at this point of a war economy, when distinctions between so-called military and nonmilitary uses disappear, that the war really becomes a total war.

For some months the amount of metals which the military can get has been limited by the bedrock minimum that must be reserved for civilians. We have steadily been approaching the total-war stage in other fields—manpower, food, clothing, shelter, transportation.

To turn out \$100 billion of war production we can reserve for civilians only enough for all of us to do our part with maximum efficiency, and no more. Neither men, food, nor materials can be spared.

Without an effective control over living costs, however, no such organization of our civilian economy is possible. If what is allocated for civilians is not shared equitably and democratically, then either some people will not get the minimum they need or else more will have to be drawn away from our potential military effort. Our military strength will be weakened and the war lengthened.

To the extent that we shrink from stripping our cupboards, wardrobes, and habits to war standards, we not only weaken our military power but we aggravate post-war burdens. To win the peace requires keeping our economy strong. That in turn means paying as much as possible of the cost of the war now. Higher wages, higher farm prices, fatter profits do not help pay for the war. War can be paid for only in taxes, in materials, in labor, and in eliminating from our lives everything that is not essential.

Three great objectives

Everyone will agree there should be three great objectives in the organization of our civilian economy:

To win the war.

To share the war's burdens and hardships democratically.

To win the peace that follows.

These three great objectives brace each other as the legs of a tripod. As Justice Byrnes said in a speech before the *Herald Tribune* Forum on November 16, 1942:

" . . . the most effective way of organizing our civilian economy to win the war is not only the fairest way of organizing it to distribute equitably the burdens of war, but is also the best way of organizing it to enable us to return with the least hardship to the paths of peace."

Price Control Means Money in Your Pocket

The average American family had at least \$25 more in the family pocketbook at the start of this year because of the general price ceiling put into effect last May. In the months before that ceiling went into effect, living costs were rising more than 1 percent a month. The general ceiling cut this increase in half. Had prices risen at the old rate, according to estimates of the Office of Price Administration, the average family would have paid \$12.89 more on clothing, \$7.54 more on meats and \$3.40 more on other foods.

When the benefits of price control in this war are compared with what happened in the last war, the savings become even more impressive.

If prices in this war followed the same spiral as the last, consumers would have paid \$6 billion more for things, the Government would have paid \$25 billion more for munitions and construction.

Prices of farm machinery rose 74 percent in the last war, only 6 1/2 percent in this war—a saving to farmers of \$239 million.

Fertilizer prices rose 86 percent in the last war; over the past 3 years the rise has been held to 13 percent—a saving to farmers of \$195 million.

By putting a ceiling on cigarette prices in December 1941, the Nation's smokers were saved \$142 million annually.

The President's program

These three objectives are the aims of the seven-point program laid down by President Roosevelt on April 27, 1942. Restated briefly, the seven points are:

1. Tax heavily and hold profits down.
2. Fix ceilings on prices and rents.
3. Stabilize wages.
4. Stabilize farm prices.
5. Save more; buy less.
6. Ration all essential commodities that are scarce.
7. Discourage installment buying and encourage paying off debts.

Where we stand

How far have we gone with this program? Ceilings have been established on the prices of about 90 percent of what the average family buys; rent control has been extended throughout the country; farm prices, wages, and salaries have been stabilized, with no salary permitted in excess of \$25,000 net, after taxes.

Heavy taxes have been levied; excess profits are being taxed 90 percent, with 10 percent to be returned after the war; installment buying has been curbed, the repayment of debt encouraged, and people's

current savings have been enlisted through War Bond investments. With meats and processed foods, nearly one-fourth of the commodities (exclusive of services and rent) that make up the official cost-of-living index will be rationed.

In the Director of Economic Stabilization, former Supreme Court Justice James F. Byrnes, the President has named a chief of staff to coordinate these many actions into a single national policy which will guide all agencies and all of the people. Advising and consulting with Director Byrnes is the Economic Stabilization Board consisting of the Secretaries of Treasury, Labor, Commerce, and Agriculture, the heads of the Office of Price Administration, Budget Bureau, War Manpower Commission, War Labor Board, and the Federal Reserve System and six public representatives. William Green of the A. F. of L. and Philip Murray of the C. I. O., Edward O'Neal of the American Farm Bureau Federation and James Patton of the National Farmers' Union, Eric A. Johnston of the U. S. Chamber of Commerce, and Ralph Flanders, a small businessman who operates a machine-tool plant in Vermont.

Strategy for the future

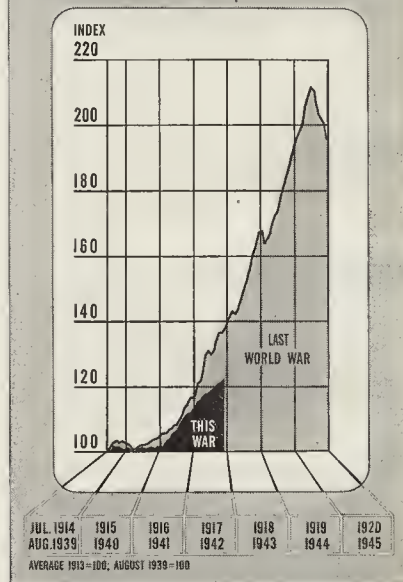
What remains to be done? First, as Director Byrnes declared in his speech on February 9, "we must not retreat in our fight to stabilize the cost of living." That means holding the present line with no further wage increases beyond the "Little Steel" formula except to correct "patently gross inequities" and plainly substandard wages, and no further price increases, except to the limited extent allowed by law.

So that the full powers of the Government will be used to keep the present line from being broken, Director Byrnes has asked Price Administrator Prentiss M. Brown not to approve any general price increase without first consulting with him. Director Byrnes has also asked the National War Labor Board not to grant any increase in wage rates which would change existing wage policies or which affects an entire industry or substantial part of an industry. This means both fronts will be held together.

Sterner measures are needed to draw off the excess spending power which threatens to twist our war economy like a tree in the path of a tornado. In 1943 the national consumer income is expected to increase to about \$135 billion. Early in 1943, it appeared that personal taxes, Federal, State, and local, would draw off only \$14 to \$17 billion. Deducting that, the American people still will have more money to spend, net after taxes, than ever before.

Unless diverted, the force of these dollars may break through the dam of price control and boil over in widespread bootlegging in violation of both price and rationing controls. To draw off these

COST OF LIVING IN LAST WORLD WAR AND IN THE PRESENT WAR



Department of Labor Bureau of Labor Statistics

This chart shows how much better we are controlling living costs in this war than in the last. If prices in this war behaved as in the last war, living costs would be 15 to 20 percent higher today than they are.

excess dollars will require still higher taxes and also some form of compulsory savings. These savings would be drawn out of people's current incomes and returned to them after the war over a period of years. Such a savings fund would stimulate employment and might help to prevent a post-war depression. If a depression did come, the savings would enable many to escape want and suffering.

Realistically, there is no other choice. If excess spending power is not siphoned off, we will destroy not only this spending power but past savings as well, trying vainly to outbid one another for goods and services which a country fighting a total war cannot produce.

Guaranteeing basic essentials

Clearly, the more far-reaching the financial controls to absorb this excess spending and the more our civilian economy is contracted in favor of war production, the greater becomes the need for assuring people at least their minimum essentials of food, clothing, shelter, transportation, and recreation.

Price ceilings, of course, contribute to this aim in that they keep prices from skyrocketing beyond the reach of lower income families. But price control must be supported by positive measures over the production and distribution of civilian goods.

This calls for the rationing of all scarce essential goods and for simplifying and standardizing production and distribution so that wasteful practices are eliminated and goods for civilians are produced in the most economical way possible.

Because rationing is new to most of us, many people think of it as an irritating way of depriving them of things. Actually, rationing is a great protective device for the bulk of people. It does away with the wild scrambling for goods by which the rich, the greedy, and the hoarders profiteer at the expense of the poor or the patriotic. By arranging for an equitable sharing of civilian goods it clears the way for devoting more of our resources to the war.

Simplification and standardization make possible a more intensive war output while helping to guarantee people their basic essentials. By doing away with bigger and better frills, needless adornment, fancy packaging, etc., and concentrating on the production of relatively few types of goods of standardized price, design, and quality, considerable savings can be effected in manpower, materials, facilities, transportation, fuel. High-priced goods can be curtailed in favor of goods within the average person's budget. Keeping-up-with-Joneses products and styles can give way to a fuller production of essentials. The rising costs that threaten established price ceilings can be offset and the prices of some essentials brought down.

Maximum sacrifice

In 1918, the War Industries Board issued a statement of principles in which this was said:

"Only actual needs, not fancied wants, should and can be satisfied. To save heavy and long privation, temporary deprivation must be the rule. America's willingness to accept these conditions marks her ability to quicken the end of the conflict."

That issue we face again. The longer it takes to give up the things we do not need, and the more we grumble about the discomforts of rationing and insist on living as usual, the longer the war will last and the greater its cost—in lives and dollars.

We cannot wait for government regulation before reducing our living standards to war needs. As soldiers take pride in proving their ability to take it, so must we rival one another in showing how little we need to get along. "In wartime," Director Byrnes has said, "we must seek to achieve the highest, and not the lowest, common denominator of patriotism."

In his April 1942 speech, President Roosevelt drew a distinction between "equality of sacrifice" and what he said he preferred to term "equality of privilege." This distinction ought to be fixed firmly in all our minds. Too many persons have distorted "equality of sacrifice" to mean "minimum of sacrifice," the attitude of "Let the other fellow give up something first." We know what would happen to an army in which every soldier held back until the other man advanced.

It is your fight

To avert that tragedy all of the people must cooperate—every worker, every housewife, every farmer, every manufacturer, every merchant, every minister, every schoolboy. All must fight. There simply is no such thing as a noncombatant in the battle against rising prices. What each of us buys—what each of us does not buy—affects prices, affects the supplies left for other civilians, affects how much of our strength is mobilized for war. Every day, in dozens of actions, in how we shop and what we waste, we either help or hurt the enemy.

If we understand that, if we understand what is being done and why and where each of us fits in, we will be able to battle the threat of rising prices more effectively. If not, we may lose the war or the peace in the only way that it can be lost, by defeating ourselves.

That is why this booklet has been written, to explain the common strategy of which the many anti-inflationary measures are a part, what the tasks of Government agencies are, what battle stations have been assigned to every American.

2. THE ENEMY—RISING LIVING COSTS

Everyone has heard the almost unbelievable tales of what happened in Germany during the wild inflation of the 1920's. Money was printed in astronomical quantities; people went shopping with baskets full of marks. Even the simplest things, a suit of clothes, a new hat, a dress, cost billions of marks; when people bought newspapers they dropped bundles of bills onto newsstands.

It would be idle to attempt to arouse the public to the dangers of rising living costs by suggesting that we face a collapse similar to that which took place in Germany. No one would believe it and for good reason. We know that no one in the United States would ever be permitted to charge a billion dollars, a million dollars, or a thousand dollars for a suit or a dress.

But the price of a quart of milk might go to 30 or 50 cents; the cheapest suit of clothes might soar to \$50; and the cheapest pair of shoes to \$20.

The threat that we do face—and this is what we mean by the word inflation—is that the price of almost everything could double or triple or quadruple. That in itself would be disastrous. It would be disastrous for everyone—for workers, professional men, farmers, manufacturers, merchants, widows, the aged.

Let's say you are a factory worker, and that no economic controls are being exerted on war inflation. As a result of the inflationary spiral your pay rises \$5 or \$10 a week. You have fond dreams of what you are going to buy with the extra money in your pay envelope: your wife can get a new winter coat, you even think of buying that vacant lot next door.

But when you talk things over with your wife, you find that she has been at wit's end trying to keep the household going despite the increased pay. Prices have gone up faster than your wages; your increased salary is buying less in goods than before. Furthermore, your savings account and your insurance are losing value. The money is still there but each dollar potentially buys less. In a few months you might lose the value of savings it had taken years to accumulate.

But you, the factory worker, have had a chance to get a wage boost. Perhaps the man next door works on a salary fixed by law; he may be employed by the Government or perhaps he lives on a pension or on an

annuity or on dividends from securities. If so, he is worse off than you are. He has no way to offset the rise in living costs. He is hit hardest and first.

What about the professional man? Doctors, lawyers, and dentists find both their living costs and office expenses rising. When they try to pass on these higher costs to patients or clients fewer bills are paid.

The farmer who has large cash crops and does his own labor may benefit for a time from rising prices. But the prices he pays for seed, machinery, and fertilizer also skyrocket and his profit is substantially neutralized. However, most farmers are not so self-sufficient; they have to hire labor and many buy most of their food. High farm prices also tempt farmers to speculate. They buy additional land at boom prices, only to find themselves, when the bubble bursts, bowed under ruinous mortgages.

Manufacturers and merchants are equally endangered. Their costs rise so rapidly that they cannot close the gap fully by marking up their own selling prices. Often in anticipation of higher costs they tie up large amounts of capital in heavy inventories. After the war these inventories, acquired at speculative figures, have to be written off—with inevitable losses that sometimes mean bankruptcy.

That is the way it goes with everyone when living costs spiral uncontrolled. A normal existence is impossible and everything becomes a gamble.

Will the past repeat itself?

Much this sort of thing happened in and after the last war. During the first part of the war, prices shimmered quietly. Then, like coffee brought to a boil, they began to percolate briskly. By Armistice, living costs were 63 percent higher than in the summer of 1914. By June 1920 they had more than doubled. A 10-pound bag of sugar cost \$2.67; a 10-pound bag of flour 88 cents; a pound of butter 67 cents. A dollar tucked away in 1914 had only 48 cents of real purchasing power in 1920.

In one year, from the high point in May 1920 to May 1921, farm prices dropped 54 percent. Non-agricultural prices dropped 25 percent in 5 months. In 1920, four bushels of corn paid interest and taxes on an acre of mortgaged land in Iowa; in 1921 it took 12 bushels.

Hundreds of thousands of farmers lost their lands, homes, and savings. Businessmen had to write down the value of their inventories by \$11 billion. In 1921 and 1922 there were 43,328 commercial and industrial bankruptcies entailing a loss of more than \$1,250,000,000. The total bankruptcy loss in either year was almost twice that of any previous year. Wages fell by almost \$5 billion. Five million workers lost their jobs.

Former Price Administrator Leon Henderson told a Congressional committee that of the last war's total military bill of \$31 billion, \$13½ billion represented needless price increases—\$13½ billion that never fed a soldier, never fired a rifle, but on which we still pay interest. Since 1920 the interest compounded on that \$13½ billion totals more than \$15 billion.

In this war, appropriations and contract authorizations since July 1940 already total about \$240 billion. If prices in this war were permitted to behave as in the last war, we might have to pay another \$100 billion as a needless tribute to inflation.

At the beginning of 1943, Leon Henderson, retiring as Price Administrator, estimated that price controls had saved American consumers \$6 billion in living costs, and the Government \$25 billion in the cost of munitions and war construction from what would have been paid if prices had risen as much in this war as in the last. Farmers would have paid out \$3.3 billion more if prices had followed the pattern of the last war.

Inflation, the saboteur

The stakes of battle are greater than mere dollars. Prices can be pictured as the electric wires which connect our vast production world. Their influence makes itself felt everywhere. When Congress appropriates money for war, it must figure what prices will be by the time this money is spent. When the Army and Navy negotiate contracts for producing guns, tanks, planes, or ships, they must guess what prices will be a year and two years later. On the basis of those prices, the manufacturer places his orders for raw materials and decides what wages to pay. Those wages, in turn, decide whether the worker will stay on a job or go elsewhere for better wages. They decide how he and his family will live, whether he gives his best in the battle of production. Through every stage of production, from raw materials to finished weapons, prices are the wires that keep the machine going.

Permitting uncontrolled price increases amounts to sabotage of the production machine. It is like loosening some of the wires or permitting some wires to burn out. The machine falters. Here and there it breaks down. At every stage of production rising prices substitute uncertainty for stability. War production is turned into a gamble.

Industrialists who take war contracts find their production schedules upset again and again by abrupt changes in their costs. Materials, sorely needed by war industries, are hoarded by speculators, gambling on still higher prices. For the speculator, a month's delay may mean a fat profit. For the soldier, it may mean a month under enemy fire without the weapons he could have had.

If prices soar too high, it becomes difficult to expand plant capacity. Manufacturers are reluctant to invest in new plant capacity with equipment costs high, since after the war they will have to compete against plants with lower equipment costs.

Inflation, the agitator

Uncontrolled price rises, too, like enemy agitators, foment dissension throughout the country.

Labor unions have pledged themselves not to strike for the duration. But rising living costs slash their real wages and workers demand wage increases. Friction between them and management is provoked.

Rising wages in industry turn farmers against workers. Rising food prices turn workers against farmers. Rising rents turn tenants against landlords.

Rising rents strike directly at war production in that they make it more difficult to recruit and keep workers. Many war factories draw thousands of their workers from other parts of the country. With rents soaring to exorbitant levels, a worker may be able to afford only the poorest of quarters, which doesn't make him a better worker. He is likely to pack up and move on in search of decent living accommodations. A worker on the move is a worker lost to production.

This resentment, this setting of group against group, affects the entire nation. It is the unavoidable result of inflationary rises in living costs and of the inevitable injustices that come with such rises—enforced sacrifices for many, profiteering for a few.

Getting the President's entire program to stick is the greatest single thing that could be done to enable all of us to make our maximum contribution to winning the war.

The poor get poorer

This waste of energy and sapping of morale, this friction between groups at a time when war demands every ounce of our energy and the fullest national unity, is made worse by the fact that the burdens of rising living costs fall heaviest on those least able to bear them.

When living essentials leap in price, persons with the lowest wages and the largest families suffer most since they devote the greatest portion of their incomes to essentials.

Unskilled and white-collar workers who are not organized to bargain for wage increases; teachers, firemen, and policemen whose salaries are fixed by law; widows and pensioners living on fixed incomes—these groups are helpless in the face of rising living costs. In the last war, the Bureau of Labor Statistics estimates that the real wages of Post Office workers, for example, were cut 19 percent between 1914 and 1919. The annual real earnings of ministers fell 23 percent.

The families left behind by our soldiers at the front in many cases must get along on the most limited income. They may be living on savings accumulated in previous years or on the fixed allowances that the Government gives for dependents. It would be criminal, while our soldiers and sailors are fighting and dying, to permit unnecessary increases in living costs to cut in half the incomes of their wives and children.

The same wild price rises that could reduce harshly the living standards of these millions would also permit a few to reap fat profits. This spectacle of profiteering would sap morale at home, in factories, on the battlefield.

We are determined this shall not happen. In his letter to Congress in July 1941, asking for price-control legislation, the President wrote:

"Economic sacrifices there will be and we shall bear them cheerfully. But we are determined that the sacrifice of one shall not be the profit of another."

That is one answer to give to those who complain about some part of the economic program, to those who grumble. "Why include me?" The seven-point program has been framed on a broad enough front to embrace everyone, so that none shall profit heavily from the war and its burdens will be shared fairly, giving us all the privilege of fighting as hard as we can.

The peace as well

If inflation makes winning the war more difficult, it makes winning the peace impossible. To win the peace, we must prevent a repetition of the terrible war aftermath out of which Hitlerism was born. That means preventing inflation *now* so that no disastrous deflation will follow.

Bernard M. Baruch, chairman of the War Industries Board in the last war, has described inflation as "the most destructive of the consequences of the war," excepting only the "human slaughter and maiming and all that goes with them." In his testimony before Congress in October 1941 on the subject of inflation, he said:

"It might double or more the cost of the war, it imposes the severest hardships on our people and, through inevitable deflation that follows, burdens the future with a constantly increasing debt and a long period of painful and bitter readjustment, destroying the confidence of people in themselves and their Government, leaving them open to all the old and new snares."

When prices skyrocket in an inflationary spiral, they rise unevenly and when they fall, they fall unevenly. Some drop further and faster than others. Some remain at high levels in relation to other prices. The higher our price structure at the end of this war and, consequently, the greater the disparity between different prices, the more difficult it will be to rebuild the world economically. This was

emphasized by Mr. Baruch in his testimony. With a high price structure, he warned:

"... we shall be powerless to write a peace treaty that will protect our own standards of living from attack by other nations. We will lose our foreign markets and, to protect our home workers, will have to take refuge in artificially high trade barriers. The disparities between various segments of our economy, between farmers producing for export markets and industries producing for home markets, will be aggravated. We will be unable to provide full employment for all our workers. Such a situation created by our own lack of foresight and lack of planning might well wreck us."

Those then are the stakes of the President's program to control living costs. They are little less than the future of our Nation.

George Washington on Inflation

During the Revolutionary War inflation advanced to the point where General Washington wrote to John Jay that "... a wagon load of money will scarcely purchase a wagon load of provision." The Commander in Chief of the Continental Army was gravely concerned that the American cause would be lost, not in battle, but from the high cost of living and the high cost of supplies for his army.

The same problems were present during that war. The means of meeting them varied somewhat. In Philadelphia an artillery company threatened with arms those landlords and traders who ignored the rulings on fixing rents and prices. In Albany the names of profiteers were cried through the streets, and the culprits gained release only by "falling on their knees on a scaffold," and promising never again to commit this crime.

General Washington proclaimed the danger to his countrymen in letters, petitions, and orders. Here are some of his warnings:

On price rises:

"... Unless that most infamous practice of raising prices of the necessities of life can be stopped, it will be impossible for any Funds to subsist the Army ..."

On price fixing:

"That which is usual and Customary, in such Cases, is to fix the Prices of the Several Articles; bearing a Proportion to what is the ordinary rate, and if Persons will not comply ... the great Law of Self Preservation must authorize us to compel them."

On profiteers:

"I would to God that one of the most atrocious of each State was hung in Gibbets upon a scaffold five times as high as the one prepared by Heaven. No punishment in my opinion is too great for the Man who can build his greatness upon his Country's ruin."

3. WHY PRICES GO UP

Home fronts aren't as exciting as battlefields and warships and to many persons the President's program may seem technical or complicated. But there is nothing in the battle against rising living costs that the average person cannot understand. The cause of wartime leaps in prices is simple enough. People have more money, but there is less in goods for them to buy. When this greater amount of money bids for the smaller quantity of goods, prices rise.

People have more money because the Government is spending billions on the war. There is less in goods because an ever-increasing portion of our production is of such things as planes, tanks, guns, ships, bombs; things that do not go on sale in shops.

Every penny of the billions being spent on the war finds its way into someone's pocketbook or bank account. Through profits, wages, dividends, rents, it all goes to swell the national income. In calendar year 1941 our national consumer income was \$94.7 billion against only \$83.5 billion in prosperous 1929. In 1942 it rose to around \$115 billion.

Meanwhile, war needs are forcing a steady curtailment of things people ordinarily like to buy. The same steel plate cannot be used for both an automobile and a tank; the same sheet of rubber cannot make a tire for both a pleasure car and a jeep; the same tanker cannot carry gasoline both to New England and to the Australian or African battle fronts. Materials, plants, and labor are being converted from producing peacetime goods to munitions. Ships are too precious to be used for importing things we can do without. All this reduces the quantities of things available for civilians. For 1943 it is estimated that the supplies of goods and services left for civilians to share will not exceed \$70 billion on the basis of November 1942 prices.

This gap between spending power and civilian goods is inevitable in any war. It also explains why the longer the war the greater the danger of uncontrolled inflation. With each month of war, the curbs on non-essentials become sharper, while buying power increases.

In March 1941 we spent \$1 billion for war goods. By March 1942 the rate of spending had reached \$3 billion a month. For June 1943 it was \$4 billion; by the end of 1942 it was \$6 billion a month. Since Pearl Harbor, income payments to individuals have been swell-

ing at the rate of 1.3 percent a month, at the same time that the supply of civilian goods and services has been dwindling. Where in May 1941 only a small proportion of our national income was devoted to defense, in June of 1942 we were diverting more than one-third of our income to war. To meet the production goals laid down by the President, we must devote at least one-half of our income to war. For every 8 hours worked, less than 4 will go for the production of civilian goods.

In the last war, at peak, only about one-fourth of the national income was devoted to military production. The dangers of inflationary price rises in this war are proportionately greater.

The "inflationary gap"

For the calendar year 1943 it is estimated the national consumer income will be around \$135 billion. Not all of this, of course, will be used to buy things. Fourteen to \$17 billion will probably be deducted for the payment of individual taxes. Another \$25 billion, it is estimated, will be saved—this on the assumption that people continue saving in War Bonds and in other ways at the same rate as during the latter part of 1942.

Deducting \$40 to \$42 billion of taxes and savings from \$135 billion leaves more than \$90 billion as the probable potential national spending in 1943. Against that, only \$70 billion worth of goods and services will be available to civilians.

This difference of about \$20 billion between the supply of goods and the money in people's pockets—roughly \$4 in cash for every \$3 worth of goods—is known as the "inflationary gap." It is a rough measure of the volume of excess spending that threatens us.

This excess spending power is spread among all the people. The fact may be difficult to grasp at first. The average worker making \$30 or \$40 a week doesn't think of himself as having "excess spending power." Nor does the farmer, even though he is getting the highest prices in 20 years. Workers and farmers have no trouble thinking of things they would like to buy, but as the President has put it: "We cannot have all we want, if our soldiers and sailors are to have all they need."

What is "excess spending"?

A good, workable definition of excess spending has been given us by Secretary of the Treasury Morgenthau: "In wartime, in the face of a limited and dwindling supply of civilian goods . . . excess spending means the buying of any commodity that we can safely do without."

In preventing inflation, the problem is how to close this gap between the increasing spending power of the public and the dwindling supplies of goods.

First, we try to stretch these supplies to the utmost. Next, we try to draw off as much spending power as we can. This is done through stiffer taxation, by clamping tight the lid on excess profits, increasing savings, investing more and more money in War Bonds and Stamps, stabilizing the incomes of workers and farmers, curbing installment buying, and getting people to pay back debts.

While these measures are being put into effect, there still remains a gap between spending power and available goods. Price control and rationing come in to prevent that gap from developing into an inflationary price spiral and to see that the available goods are distributed equitably among all people.

If prices were allowed to skyrocket, available goods and services would go to persons with the most money to spend. The rich might not have to reduce their living standards at all, or only slightly, and the poorer people would have to make up the difference by drawing their belts even tighter. A minority, with strong bargaining power, might improve their lot, while millions with fixed incomes or weaker bargaining positions would suffer.

As will be seen in the chapters that follow, the three great aims of the fight against inflation stand together—to win the war, to win the peace, and to share the war's burden so that each of us can make his maximum contribution. The President's program is a carefully designed strategy for fighting this War of Survival on the home front.

4. STRETCHING SUPPLIES

Taxation, investments in War Bonds, and the repayment of debts draw off some of the excess dollars already in the hands of the public. Limiting profits, stabilizing wages, stabilizing farm prices, and restricting consumer credit help check additions to this spending power. In different ways, these measures all lower the "heat" of spending which sets prices to boiling.

On the other side, there are the dwindling supplies of goods and services for consumers. If these supplies could keep pace with spending power, there would be little danger of rising prices. But this is impossible. We need for war the factories that could be producing civilian goods. Of many raw materials, such as metals and leather, there aren't enough to keep both war plants and civilian factories operating at peak. Our armed forces need men. So do new munitions factories. That means drawing workers from less essential industries and adding to our labor force new workers—women, young people, older workers.

It is a simple choice. Do we devote our factories, materials, and manpower to producing for war or for civilian use? Shall we make automobiles or tanks, cutlery or bayonets, toy trains or naval gun sights, slot machines or rifle parts?

We have made our choice. It is to eliminate everything that stands in the way of supplying our soldiers, sailors, and airmen with the fighting equipment they need.

There are ways, however, to extend our civilian supplies without interfering with our war effort. We can stretch the supplies we have by finding new uses for more plentiful things and substitutes for those things that are scarce. By simplifying production and distribution, eliminating unnecessary frills and wasteful practices, a fuller output of essential goods can be made possible. Such a program is now being pushed under the direction of the Office of Economic Stabilization.

Each of us can contribute to stretching supplies by sharing what we have, by making everything last longer, every dress, every pair of shoes, every refrigerator, every vacuum cleaner. It means buying only what we need, as we need it, using old things more carefully. It means thinking up new ways of conserving and sharing. This is one part of the battle of living costs which all of us can fight, with all our ingenuity, with all our courage, with all our self-discipline.

A good deal of wild rumor has been spread about so-called "scarcities." From this gossip one might be led to believe that store shelves are about to be emptied. There are real scarcities of a few things like rubber tires and other products made of rubber. There is a scarcity of gasoline and fuel oil, particularly in the eastern States, because of transportation shortages. Of these things we simply will have to use less. To make sure that everyone gets a fair share, they are being rationed.

Inventories in every home

We find a very different story when we consider the bulk of durable and semidurable goods whose manufacture has been curtailed in favor of war production. In virtually every instance most families already have these things, and huge reserve inventories have been built up. For example, about 60 million radio receivers are in use in about 33 million American homes and elsewhere. Another 2 to 3 million radio sets, excluding those for automobiles, are in stock in stores and warehouses around the country.

If only those persons who need new radio sets buy them, there will be more than enough to go around. There is no "scarcity" here, except one that selfish buying or shortsighted hoarding may create.

All that is asked of the American people is that they use their present radios longer. It is ridiculous to talk of this as "sacrifice."

Early in 1942 it was estimated that there were more than 21 million refrigerators in American homes. In 1941 a record number of 3.7 million refrigerators was produced and in 1942, before production was curtailed, another million units were turned out. Another 300,000 used refrigerators were in the hands of dealers.

On January 1, 1942, an estimated 18 million washing machines were in American homes. Dealer inventories on that date listed 200,000 machines; another 568,000 machines were scheduled for production in 1942.

At the beginning of 1942 there were an estimated 13.4 million vacuum cleaners in American homes. Inventories amounted to 330,000 and production in 1942 was set at 350,000. In addition 230,000 rebuilt cleaners were available.

In 1941, 1,266,629 typewriters were produced against less than a million for 1940. Some 735,000 sewing machines were produced in 1941 against 570,000 for 1940.

These figures indicate that in 1940 and 1941 we had a record production of virtually all the items whose output has been curtailed. As a result, American homes were never before so well-stocked. Inventories in the hands of manufacturers, wholesalers, and dealers reached new heights.

The Army and Its Stomach

Those who wonder where the food produced in this country is going to might think of what it takes to feed a modern army.

The War Department estimates that a soldier eats twice as much as a civilian. Included in the 5½ pounds of food that the average soldier gets daily are a pound of meat; 12 ounces of grain and cereal products; 12 ounces of potatoes; a pint of milk; 3 ounces of sugar; 10 ounces of fruits and vegetables. Coffee is brewed on the basis of 3 pounds to each 100 men.

Submarine rations are even higher. A recent survey showed that one submarine supplied its crew with 5,700 calories a day. The lowest caloric content was found in the rations served by a submarine which had suffered a break-down in its refrigerating system, resulting in a loss of perishable foods. Even that vessel fed its men 3,800 calories a day, as compared to the average of about 3,000 calories a day which will be available for civilians in 1943.

These stocks were drawn upon throughout 1942 and have been dropping. The War Production Board has made liberal allowance for the manufacture of repair and replacement parts. With present inventories and with spare parts obtainable, durable and semidurable goods now in homes can be made to last throughout the war in all but a very few cases.

What about food?

Food production for 1942 was the greatest on record. We have a two-year supply of wheat. The numbers of cattle and hogs are the largest in our history. Milk production in 1942 outstripped that of all previous years.

Despite this record production, shortages of many food items will develop, because of the increased need of our fighting men, our allies, and war sufferers abroad. We must build up extra stocks of food overseas to use when we push our offensive into the countries of Europe which Hitler has starved.

In the case of meat, the needs of our armed forces and of the United Nations are so great that the amount of meat that will be left over for civilians in the United States will be somewhat less than we might want. Until formal rationing plans can be put into operation we must limit our consumption of meat voluntarily to 2½ pounds per person per week. Actually, this is what the normal average meat consumption in this country amounts to. It is no hardship.

In England, by contrast, the meat ration is 24 cents' worth of meat a week per person (the weight depending upon the cut chosen) plus 4 ounces of bacon. In Germany about three-quarters of a pound and in Italy between one-fourth and one-half a pound a week is allowed.

No matter what food shortages develop here in the United States, an adequate diet will be assured. We will, however, eat less on a per capita basis and will not be able to buy as much food as our higher incomes would permit. The housewife will have to plan carefully but she will still be able to feed her family balanced and nourishing meals.

Much of our canned fish, salmon, sardines, Atlantic herring, and mackerel is going to the troops. In cans these foods can be shipped everywhere in the world with no danger of spoilage. Canned vegetables, too, will be needed on the fighting fronts. With canned fish and canned vegetables scarce, we must use more fresh fish and fresh vegetables.

Many "shortages" of foods can be overcome simply by wasting less of these foods. Americans are the most wasteful people in the world on food. Mayor LaGuardia of New York has said he could feed a city of 300,000 with the food that gets thrown into New York City's garbage pails.

This is a good year for home canning to conserve as much food as possible and to become accustomed to eating locally grown vegetables. Difficulties in regard to the supply of labor, equipment, and transportation may make it difficult to distribute all the food grown.

We will be well clothed

There will be no shortage of essential clothing this year. Men and women may have to wear more cotton; other materials are being blended in with wool. Styles are becoming less fussy, trousers no longer have cuffs, skirts are not as full. But no one need go ill-clothed.

The basic essentials that we cannot do without will be assured all of us. A positive program for guaranteeing people these essentials has been announced by the Office of Economic Stabilization. As commodities become scarce they will be rationed promptly; production and distribution will be simplified and standardized so that the things all of us need will be made in the most economical way possible.

The fact is that while hundreds of thousands of American soldiers and sailors have been fighting, in many instances against terrible odds, and many have died, thus far we on the home front have had to give up virtually nothing. Only now are we being asked to deny ourselves luxuries and semi-luxuries.

The mountain and the molehill

A cartoonist has compared the "sacrifices" which we are being asked to make against those of the men on the firing line. He drew a mountain for their sacrifices, a molehill for ours.

In England, leisure has disappeared for all but the infirm and very young. Everyone else has his or her job. Home life has been disrupted. Many city children are quartered in places less liable to bombings. Husbands and wives often work on different shifts; many women work at night. It is impossible for many working housewives to find time to cook or to shop for food.

Clothes are rationed, with each person allowed 60 coupons every 14 months. One cannot buy both a suit and an overcoat in the same 14 months and still get other necessities. Paper is so scarce that no purchases are wrapped. Anyone destroying a scrap of paper, even a cigarette wrapper, is subject to a fine. There are no paper napkins any more, no greeting cards. Letter envelopes are used two and three times.

Soap is scarce and rationed; cosmetics are hard to get; pins, needles, and hairpins are gone. Girls use pipe cleaners for hair curlers. If a man loses a collar button he may have to search the stores for weeks for another. In restaurants, one must often wait for water until the people at the next table are through because there aren't enough glasses for all. Housewives are finding it increasingly difficult to replace broken dishes. Fuel is scarce; hot water can be had only between 6 a. m. and 9:30 p. m. Gasoline for pleasure cars has been cut completely.

Except for bread, potatoes, and fresh vegetables in season, almost all foods are rationed and at low rations at that. Adults get two pints of milk, about a pound of meat, and two ounces of tea a week. What this means can be glimpsed from a story by an American who recently returned from England.

Story of an egg

Riding in a train, he noticed an Englishman sitting opposite him with a strange bulge in the breast pocket of his coat. Another Englishman asked what it was. The first Englishman replied, "That is my egg. It is the first egg I have had this month."

For more than half an hour after that, the Englishman chatted gaily about how he was going to have the egg, how nice it would taste fried, or perhaps it would taste better soft-boiled, or wouldn't it go farther scrambled? In his imagination, he ate the egg each different way. When the train stopped, the Englishman rose and reached for his luggage. The train lurched; the bag fell against him. He

reached into his pocket, drew back a hand that dripped with the yolk of the smashed egg. He burst into tears.

In China, many families have been left homeless by bombings. Rice is scarce; workers are turning out munitions in caves. In Australia, tea and clothing are rationed, cigarettes are so scarce they are restricted to men, none to women, and are sold only a few at a time. Wrapping of packages has been abandoned; the size of newspapers cut in half; beer reduced by one-third—and Australians like their beer. When Moscow was under siege, the Russian people lived for days on soup and bread. Many Russian workers have been sleeping in the factories, not getting home for two weeks at a time.

Nor are our enemies having an easy time. The average Japanese gets seven-tenths of a pound of rice a day as his main diet. There is no butter and no meat except for those who can pay exorbitant prices on the black market. A pound of sugar costs the equivalent of \$3. Fruits have almost disappeared. Clothing is rationed severely and of such poor quality that socks are saved for dress occasions. Eggs are rationed at one a person a month, except for the rich. While competent observers report that the Japanese Government is hoarding great quantities of rice and canned fish against the day of need, the ordinary Japanese workman meanwhile lives upon rations meagre even for small men inured to want.

In Germany, eggs are rationed at 1 to 1½ a week, *when available*; meat at 12½ ounces a week, butter at 2 ounces a week *if available*. Fuel is so scarce that schools have had to close. Such things as toothpaste, buttons, thread, paper clips, suspenders, and dust cloths are hard to find. Germans are limited to about three cigarettes a day.

Produce by using less

Those shortsighted Americans who have succumbed to temptation and have gone on shopping sprees, buying and hoarding things they do not need, do not seem to realize that not only do they betray the men at the fighting fronts but they spite themselves. Hoarding reduces the available supply of goods, which adds to the pressures forcing prices up. The more hoarding or needless buying there is, the more difficult it will be to maintain retail price ceilings.

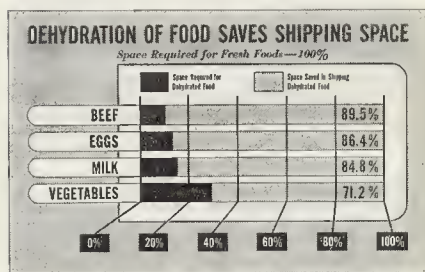
Every time you buy something you don't need, you help raise the prices on things you do need. That is one of the lessons of total war.

Another lesson of total war is that you produce by doing without things. For many months we have been shouting, "Produce More." It is time we added a companion slogan, "Consume Less." It is not simply in the use of articles that compete directly with military

needs that we produce more by consuming less. *Whatever we use less of helps war production.* Labor, transportation, shipping are freed.

In the last war, for example, paper wrappers were substituted for pasteboard cartons and wooden packing cases in the hosiery and underwear trade. Transportation space equal to 17,312 freight cars was saved. Again, the amount of thread on spools was raised from 150 to 200 yards. The saving in transportation space was equivalent to 600 freight cars.

This war is in great part a Battle of Shipping, a terrible duel between Axis submarines and United Nations vessels. Ships are



Lend-Lease

being sunk at a serious rate. The quantities of men and weapons which get to the fighting front depend on how much shipping is available for transportation. Every ship saved makes itself felt on every battlefield in the world.

In England everyone—man, woman, and child—today is fighting the Battle of Shipping as tenaciously as a soldier on the battlefield. To save shipping space, English food rations have been cut to where it no longer is possible for people to maintain normal weight. In Australia, the Battle of Shipping is being fought by rationing tea and clothing; in Canada by rationing sugar, tea and coffee. In this country we can join the fight by using less of such things as tea, cocoa, coffee, shellac, sugar, wool, binding twine, burlap, and leather.

Today's ploughshares

Down through the ages when war broke out men beat their ploughshares into swords and their pruning hooks into spears. In today's total war, the ploughshares and pruning hooks that we must beat into weapons are the thousands of little things that each of us uses. When women are careful not to lose their hairpins or bobble pins they literally save tons of steel for war. Simply reducing the weight of paper cups saves tons of paper and transportation space.

The things that all of us can do, whether at home, in factories, on farms, are limited only by our ingenuity. By packing machine guns in pairs instead of one to a box, the Army has effected a saving of 35 percent in shipping space. Using wooden bodies in Army trucks will save 275,000 tons of steel annually—enough steel for 30 cargo ships. By changing building designs and engineering specifications, 200,000 tons of structural iron and steel are being saved. Cutting in half the number of different types of radio tubes is expected to release 155,000 man-hours of labor.

Steel in an old flatiron makes 2 helmets. Nine electric irons equal a thousand 50-caliber cartridges. Sixteen kitchen stoves or 27 washing machines make a scout car. A juke box will yield enough brass for 750 cartridge cases and enough steel for 5 light machine guns. One set of golf clubs furnish the steel for 39 hand grenades—which is one way of playing golf with the Nazis. And 429 lawn mowers make another kind of mower, a 90 mm. antiaircraft gun.

Eighty refrigerators are the steel equivalent of one light tank; the copper in a copper kettle equals 84 rounds of ammunition for an automatic rifle; 7,700 aluminum pots and pans equal 1 pursuit plane.

A drive is on to recover part of the 2 billion pounds of household cooking fats that now are wasted each year. Housewives are urged to keep the fats in clean metal containers in a cool place until they have at least a pound and then to take these fats to neighborhood stores and meat markets selected as fat-collection stations. Fats make glycerin which is needed for explosives. One-half of our normal imports of fats and oils were cut off by the loss of the Philippines, Malaya, and the Dutch East Indies.

These are all little things, but little things done in 35 million homes make mighty mountains of fighting weapons.

In all this we can see how the battle against rising living costs on the home front merges with the battle against the Japanese and Germans overseas. By buying only what we need, making everything last longer, and using a little less of everything, we help keep prices down—and we help produce more of the things that our soldiers and sailors must have.

5. TAXES TO BEAT THE AXIS

We have seen that the danger of inflation grows out of the gap between the money people have to spend—demand—and the limited supplies of goods. To ease up on this demand, we must draw off as much excess spending power as we can. The two principal weapons are taxation and savings.

Already this war has cost more than the whole of the last war. During the month of December 1942 we were spending at the rate of \$235,600,000 a day. For the fiscal year ending June 30, 1943, we are expected to spend \$77 billion for war (including outlays of Government corporations). For the fiscal year that will begin July 1, 1943, war spending will rise to \$100 billion.

These billions will have to be raised by the Treasury through either taxation or borrowing. To the extent that we pay as we go through taxation and cut down on borrowing, our economic structure will be sounder after the war. We will have less of a burden of indebtedness to carry.

Thus by taxing heavily now to draw off excess spending power we make it easier to finance the war, we fight rising living costs, and we help build a sounder peace.

Our war tax bill

It can be said that, until recently, we really had not begun to pay for the war. The higher taxes and living costs of 1941 did make themselves felt. But many persons were earning more money. There was no cut in average living standards.

Our first tax bill of this war was signed by the President on October 21, 1942. Under it about \$21 billion is expected to be collected during 1943. Taxes will be spread more widely than ever before, among nearly 46 million taxpayers.

Yet, even counting State and local taxes, Americans still will be paying lower wartime taxes than the British and Canadians. And despite the fact that this is the "biggest tax law in our history," it still will leave the American public with more spending money than they have ever had.

The democratic way is to have the costs of the war borne by everyone, according to ability to pay. That does not mean that the war can be financed and inflation fought merely by increasing the taxes on

the largest incomes. It does mean that such incomes should bear the heaviest burdens and that a stiff excess profits tax is fundamental.

Excess profits are taken

In the 1941 law excess profits were taxed from 35 percent on the first \$20,000 to 60 percent of everything over \$500,000. The 1942 law imposes a flat excess profits tax of 90 percent, with provision for a 10 percent refund to corporations after the war. Britain and Canada, both of whom have imposed a flat 100 percent tax on excess profits, provide a post-war credit of 20 percent.

The new law also increases the combined normal and surtax rates on corporate incomes from between 21 and 25 percent to between 25 and 29 percent on incomes up to \$25,000. For corporations with net incomes over \$25,000 the rate is raised from 31 to 40 percent. However, the bases on which these taxes are figured are reduced. The law is thus somewhat easier than the proposals advanced by the Treasury Department. Still, the net effect of the new taxes is to reduce the profits of companies after taxes. It is estimated that \$9.2 billion will be raised through excess profits and corporate income taxes.

Higher income taxes

Personal income taxes are expected to yield \$10 billion. The normal rate has been raised from 4 to 6 percent. The surtax, which previously ranged from 6 percent on the first \$2,000 of taxable income to 77 percent on income over \$5 million, was increased to 15 percent on \$2,000 and 82 percent on income over \$200,000.

Under the new rates a single person with no dependents earning \$2,500 will pay \$965. Under the 1941 act he paid \$165. The same person earning \$5,000 paid \$483 under the 1941 act, and will pay \$920 under the 1942 act.

A married person with no dependents earning \$2,500 paid \$90 under the 1941 act and will pay \$232 under the 1942 act. The same person earning \$5,000 paid \$375 under the 1941 act and will pay \$746 under the new act.

A married person with two dependents earning \$2,500 who paid \$12 income tax in 1941 will pay \$89 under the new act. The same person earning \$5,000 who paid \$271 last year will pay \$592 under the 1942 act.

With a \$10,000 income a single person without dependents will pay \$2,390 under the new rates against \$1,493 in 1941. A married person with two dependents and a net income of \$10,000 will pay \$1,914 against \$1,117 in 1941.

The second step in seeing that all of us bear our fair share of the costs of defending our liberties is to see that as many people as possible pay something. A people's war demands a people's tax.

In the last few years income-tax exemptions have been lowered steadily to bring more and more persons into the tax fold. For the tax year 1939 there were 4 million income-tax payers; for 1940, about 7,600,000. On 1941 incomes about 18 million paid taxes.

The new act lowers exemptions for married persons from \$1,500 to \$1,200; for single persons from \$750 to \$500. The allowance for dependent is reduced from \$400 to \$350. The old exemptions still hold for members of the armed forces, except commissioned officers. About 27 million persons will pay income taxes in March 1943.

The Victory Tax

The War Revenue Act also introduced a new kind of tax on individual incomes—in addition to the old one—called the Victory Tax. It is a 5 percent levy on all income over \$624 a year (\$12 a week). The Victory Tax is expected to reach 46 million persons, or 9 workers out of 10.

The Victory Tax is collected at the source. That is, since January 1, 1943, when the tax went into effect, 5 percent of all wages and salaries over \$12 a week has been withheld by employers and turned over to the Treasury. Men in the armed forces, domestic servants, and farm and casual laborers are exempted from deduction at the source, but not from the tax. They pay their Victory Tax at income-tax time.

The Victory Tax must come out of wage-earners' salaries. Wage increases cannot be granted to pay the Victory Tax.

Part of this Victory Tax will be refunded after the war. Single persons will get back 25 percent; married persons 40 percent with another 2 percent for each dependent. Under a special provision, taxpayers may deduct this credit in 1944 if the credit is used for any of three purposes: to reduce debts outstanding on September 1, 1942, to pay life-insurance premiums on policies in force on that date, or to purchase certain Government bonds to be designated by the Treasury.

How do you figure the Victory Tax?

First, make an estimate of your income for the year 1943. The Victory Tax begins in 1943 and does not affect your 1942 income. From this gross 1943 income, subtract \$624. If you are a salaried worker, what is left is your taxable income and your Victory Tax is 5 percent of this.

If your income comes from a farm, business, professional services, or rent, you are entitled to deduct your operating expenses in addition to the \$624. Your Victory Tax is 5 percent of what is left

With your Victory Tax calculated, then determine the credit to which you are entitled. If your Victory Tax is \$200 and you are a single person, your credit is 25 percent or \$50; if you are a married person the credit allowed you is 40 percent or \$80. You can receive this credit after the war or you can deduct it from the income tax you owe in March 1944. To get this credit in 1944, however, you have to show that you have used this sum either for net reduction of debts or payment of life-insurance premiums on policies in force on September 1, 1942, or for the net purchase of Government bonds. Since you will have to prove that you devoted the amount credited to you for one of these purposes, it is important that you begin to keep records to show what you have done.

Know your taxes

In a broader sense, the Victory Tax and the other provisions of the tax law require that people know their taxes. In the past most of us made little systematic preparation in advance for meeting our taxes. Most people waited until taxes came due and then paid them out of their income at the time.

In March 1943, however, millions of persons who never filed an income tax return before will have to pay some tax. Those who have been paying taxes will have to pay considerably more than in the past, several times as much. Instead of relying on "taxpaying as usual," all of us should be saving now for the taxes we will have to pay.

For wage-earners, the Victory Tax, of course, will be collected in small sums every pay day. The President has urged that all income taxes be put on a pay-as-you-go basis. This would have several distinct advantages.

At present, people pay income taxes on income they received the previous year. Taxes paid on March 15, 1942, were on incomes earned in 1941. This means persons have a chance to spend their incomes before taxes come due. When the taxes do come due they are in lump sums.

Most persons, especially those in the middle and lower income brackets, make little advance preparation for paying taxes. Many persons would find it difficult to meet their tax payments. This would be particularly true for the millions who never paid an income tax before.

Collection at the source on a pay-as-you-go basis takes the tax in small amounts before the taxpayer has a chance to spend it. This would make it easier to collect taxes—there would be fewer defaults. It would ease the administrative burden of collecting taxes from millions of persons who have never filed returns before.

There are several different plans for putting taxes on a pay-as-you-go basis. In general, all these plans call for deducting a fixed percentage regularly from wages, salaries, dividends, and interest. These sums would be applied to the credit of the taxpayer. At the end of the year, adjustments would be made to fit the sums already collected with the tax that is due. If the tax that comes due is smaller than the sums deducted, the extra money is refunded. If the tax is larger, an additional payment would have to be made.

Both England and Australia are collecting income taxes at the source.

Even if a pay-as-you-go plan is put into effect, people should continue saving for their taxes. This will hold particularly for all persons in the middle and upper income brackets. Most of them are likely to have to pay an additional sum at the end of the year to balance what they owe the government.

One easy means of saving for future taxes already exists in the Treasury Tax Savings Notes which began to be issued in August 1941. These notes can be purchased at any time, in denominations as small as \$25, and can be used to pay any Federal tax. By October 1942, \$1,156,200,000 of these notes had been purchased. Those who invest in these notes, in effect, pay their taxes in advance and receive interest for doing so. Series A, which is designed for the average taxpayer, pays 16 cents a month interest for every \$100.

What others pay

Heavy as the new tax rates are, they still do not cut as deeply as in other nations at war.

To compare the burdens on individual income taxpayers, let us take a single person with no dependents earning \$2,500 a year in Britain, Canada, and the United States:

In Britain this person pays a net income tax of \$797; in Canada \$626; in the United States \$446, including the Victory Tax.

The same person earning \$3,000 pays \$935 in Great Britain, \$824 in Canada, and \$574 in the United States. At \$15,000 a year, \$7,507 would be paid in Britain, \$7,579 in Canada, only \$4,968 in the United States.

Looking at it another way, a single factory worker earning \$40 a week pays at the rate of 25.9 percent in Britain and 16.7 percent in this country. If married and without dependents he pays at the rate of 18.9 percent in Britain and 9.4 percent here. Income tax exemptions in Britain are lower than ours: \$320 for single persons, \$560 for married people, with \$200 allowed for each dependent.

British excise taxes are also considerably higher than ours. Under our new rates, a package of 20 cigarettes is taxed 7 cents, while in

Britain the same number of cigarettes (though they are packaged in different units) is taxed approximately 35 cents. Our new tax on bonded whisky is \$6 a gallon; the same quantity and quality of whisky is taxed \$20 in Britain.

Increases in our excise taxes under the new act include:

Cigarettes from 6½ to 7 cents a package.

Beer from \$6 to \$7 a barrel.

Local telephone calls from 6 to 10 percent.

Telegraph messages from 10 to 15 percent.

Passenger transportation from 5 to 10 percent.

There is a new 3 percent tax on general freight charges, and a new 4-cent per ton tax on coal freight charges.

The tax on small cameras and lenses has been raised from 10 to 25 percent, and on films, plates, etc., from 10 to 15 percent.

The tax on lubricating oil is raised from 4½ to 6 cents a gallon, but the tax on gasoline is not increased.

Comparative table of personal income tax rates in the United States, Great Britain, and Canada¹

MARRIED PERSON—NO DEPENDENTS

If your net income, before personal exemption, is—	In the United States, your tax rate (including New York State) will be—			In Great Britain, your tax rate would be—			In Canada, your tax rate would be—		
	Total tax liability	Post-war credit	Net tax liability	Total tax liability	Post-war credit	Net tax liability	Total tax liability	Post-war credit	Net tax liability
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
\$0.00	1.4	0.0	1.4	0.1	0.1	0.0	8.0	0.0	8.0
\$1,000	2.4	0.0	2.4	1.1	0.1	1.0	14.8	7.2	7.6
\$1,500	2.9	1.2	1.7	1.3	0.4	0.9	18.0	10.0	8.0
\$2,000	3.4	1.4	2.0	1.5	0.6	0.9	21.2	12.0	9.2
\$2,500	3.9	1.6	2.3	1.7	0.8	0.9	24.4	14.0	10.4
\$3,000	4.4	1.8	2.6	1.9	1.0	0.9	27.6	16.0	11.6
\$3,500	4.9	2.0	2.9	2.1	1.2	0.9	30.8	18.0	12.8
\$4,000	5.4	2.2	3.2	2.3	1.4	0.9	34.0	20.0	14.0
\$4,500	5.9	2.4	3.5	2.5	1.6	0.9	37.2	22.0	15.2
\$5,000	6.4	2.6	3.8	2.7	1.8	0.9	40.4	24.0	16.4
\$5,500	6.9	2.8	4.1	2.9	2.0	0.9	43.6	26.0	17.6
\$6,000	7.4	3.0	4.4	3.1	2.2	0.9	46.8	28.0	18.8
\$6,500	7.9	3.2	4.7	3.3	2.4	0.9	50.0	30.0	20.0
\$7,000	8.4	3.4	5.0	3.5	2.6	0.9	53.2	32.0	21.2
\$7,500	8.9	3.6	5.3	3.7	2.8	0.9	56.4	34.0	22.4
\$8,000	9.4	3.8	5.6	3.9	3.0	0.9	59.6	36.0	23.6
\$8,500	9.9	4.0	5.9	4.1	3.2	0.9	62.8	38.0	24.8
\$9,000	10.4	4.2	6.2	4.3	3.4	0.9	66.0	40.0	26.0
\$9,500	10.9	4.4	6.5	4.5	3.6	0.9	69.2	42.0	27.2
\$10,000	11.4	4.6	6.8	4.7	3.8	0.9	72.4	44.0	28.4
\$10,500	11.9	4.8	7.1	4.9	4.0	0.9	75.6	46.0	29.6
\$11,000	12.4	5.0	7.4	5.1	4.2	0.9	78.8	48.0	30.8
\$11,500	12.9	5.2	7.7	5.3	4.4	0.9	82.0	50.0	32.0
\$12,000	13.4	5.4	8.0	5.5	4.6	0.9	85.2	52.0	33.2
\$12,500	13.9	5.6	8.3	5.7	4.8	0.9	88.4	54.0	34.4
\$13,000	14.4	5.8	8.6	5.9	5.0	0.9	91.6	56.0	35.6
\$13,500	14.9	6.0	8.9	6.1	5.2	0.9	94.8	58.0	36.8
\$14,000	15.4	6.2	9.2	6.3	5.4	0.9	98.0	60.0	38.0
\$14,500	15.9	6.4	9.5	6.5	5.6	0.9	101.2	62.0	39.2
\$15,000	16.4	6.6	9.8	6.7	5.8	0.9	104.4	64.0	40.4
\$15,500	16.9	6.8	10.1	6.9	6.0	0.9	107.6	66.0	41.6
\$16,000	17.4	7.0	10.4	7.1	6.2	0.9	110.8	68.0	42.8
\$16,500	17.9	7.2	10.7	7.3	6.4	0.9	114.0	70.0	44.0
\$17,000	18.4	7.4	11.0	7.5	6.6	0.9	117.2	72.0	45.2
\$17,500	18.9	7.6	11.3	7.7	6.8	0.9	120.4	74.0	46.4
\$18,000	19.4	7.8	11.6	7.9	7.0	0.9	123.6	76.0	47.6
\$18,500	19.9	8.0	11.9	8.1	7.2	0.9	126.8	78.0	48.8
\$19,000	20.4	8.2	12.2	8.3	7.4	0.9	130.0	80.0	50.0
\$19,500	20.9	8.4	12.5	8.5	7.6	0.9	133.2	82.0	51.2
\$20,000	21.4	8.6	12.8	8.7	7.8	0.9	136.4	84.0	52.4
\$20,500	21.9	8.8	13.1	8.9	8.0	0.9	139.6	86.0	53.6
\$21,000	22.4	9.0	13.4	9.1	8.2	0.9	142.8	88.0	54.8
\$21,500	22.9	9.2	13.7	9.3	8.4	0.9	146.0	90.0	56.0
\$22,000	23.4	9.4	14.0	9.5	8.6	0.9	149.2	92.0	57.2
\$22,500	23.9	9.6	14.3	9.7	8.8	0.9	152.4	94.0	58.4
\$23,000	24.4	9.8	14.6	9.9	9.0	0.9	155.6	96.0	59.6
\$23,500	24.9	10.0	14.9	10.1	9.2	0.9	158.8	98.0	60.8
\$24,000	25.4	10.2	15.2	10.3	9.4	0.9	162.0	100.0	62.0
\$24,500	25.9	10.4	15.5	10.5	9.6	0.9	165.2	102.0	63.2
\$25,000	26.4	10.6	15.8	10.7	9.8	0.9	168.4	104.0	64.4
\$25,500	26.9	10.8	16.1	10.9	10.0	0.9	171.6	106.0	65.6
\$26,000	27.4	11.0	16.4	11.1	10.2	0.9	174.8	108.0	66.8
\$26,500	27.9	11.2	16.7	11.3	10.4	0.9	178.0	110.0	68.0
\$27,000	28.4	11.4	17.0	11.5	10.6	0.9	181.2	112.0	69.2
\$27,500	28.9	11.6	17.3	11.7	10.8	0.9	184.4	114.0	70.4
\$28,000	29.4	11.8	17.6	11.9	11.0	0.9	187.6	116.0	71.6
\$28,500	29.9	12.0	17.9	12.1	11.2	0.9	190.8	118.0	72.8
\$29,000	30.4	12.2	18.2	12.3	11.4	0.9	194.0	120.0	74.0
\$29,500	30.9	12.4	18.5	12.5	11.6	0.9	197.2	122.0	75.2
\$30,000	31.4	12.6	18.8	12.7	11.8	0.9	200.4	124.0	76.4
\$30,500	31.9	12.8	19.1	12.9	12.0	0.9	203.6	126.0	77.6
\$31,000	32.4	13.0	19.4	13.1	12.2	0.9	206.8	128.0	78.8
\$31,500	32.9	13.2	19.7	13.3	12.4	0.9	210.0	130.0	80.0
\$32,000	33.4	13.4	20.0	13.5	12.6	0.9	213.2	132.0	81.2
\$32,500	33.9	13.6	20.3	13.7	12.8	0.9	216.4	134.0	82.4
\$33,000	34.4	13.8	20.6	13.9	13.0	0.9	219.6	136.0	83.6
\$33,500	34.9	14.0	20.9	14.1	13.2	0.9	222.8	138.0	84.8
\$34,000	35.4	14.2	21.2	14.3	13.4	0.9	226.0	140.0	86.0
\$34,500	35.9	14.4	21.5	14.5	13.6	0.9	229.2	142.0	87.2
\$35,000	36.4	14.6	21.8	14.7	13.8	0.9	232.4	144.0	88.4
\$35,500	36.9	14.8	22.1	14.9	14.0	0.9	235.6	146.0	89.6
\$36,000	37.4	15.0	22.4	15.1	14.2	0.9	238.8	148.0	90.8
\$36,500	37.9	15.2	22.7	15.3	14.4	0.9	242.0	150.0	92.0
\$37,000	38.4	15.4	23.0	15.5	14.6	0.9	245.2	152.0	93.2
\$37,500	38.9	15.6	23.3	15.7	14.8	0.9	248.4	154.0	94.4
\$38,000	39.4	15.8	23.6	15.9	15.0	0.9	251.6	156.0	95.6
\$38,500	39.9	16.0	23.9	16.1	15.2	0.9	254.8	158.0	96.8
\$39,000	40.4	16.2	24.2	16.3	15.4	0.9	258.0	160.0	98.0
\$39,500	40.9	16.4	24.5	16.5	15.6	0.9	261.2	162.0	99.2
\$40,000	41.4	16.6	24.8	16.7	15.8	0.9	264.4	164.0	100.4
\$40,500	41.9	16.8	25.1	16.9	16.0	0.9	267.6	166.0	101.6
\$41,000	42.4	17.0	25.4	17.1	16.2	0.9	270.8	168.0	102.8
\$41,500	42.9	17.2	25.7	17.3	16.4	0.9	274.0	170.0	104.0
\$42,000	43.4	17.4	26.0	17.5	16.6	0.9	277.2	172.0	105.2
\$42,500	43.9	17.6	26.3	17.7	16.8	0.9	280.4	174.0	106.4
\$43,000	44.4	17.8	26.6	17.9	17.0	0.9	283.6	176.0	107.6
\$43,500	44.9	18.0	26.9	18.1	17.2	0.9	286.8	178.0	108.8
\$44,000	45.4	18.2	27.2	18.3	17.4	0.9	290.0	180.0	110.0
\$44,500	45.9	18.4	27.5	18.5	17.6	0.9	293.2	182.0	111.2
\$45,000	46.4	18.6	27.8	18.7	17.8	0.9	296.4	184.0	112.4
\$45,500	46.9	18.8	28.1	18.9	18.0	0.9	299.6	186.0	113.6
\$46,000	47.4	19.0	28.4	19.1	18.2	0.9	302.8	188.0	114.8
\$46,500	47.9	19.2	28.7	19.3	18.4	0.9	306.0	190.0	116.0
\$47,000	48.4	19.4	29.0	19.5	18.6	0.9	309.2	192.0	117.2
\$47,500	48.9	19.6	29.3	19.7	18.8	0.9	312.4	194.0	118.4
\$48,000	49.4	19.8	29.6	19.9	19.0	0.9	315.6	196.0	119.6
\$48,500	49.9	20.0	29.9	20.1	19.2	0.9	318.8	198.0	120.8
\$49,000	50.4	20.2	30.2	20.3	19.4	0.9	322.0	200.0	122.0
\$49,500	50.9	20.4	30.5	20.5	19.6	0.9	325.2	202.0	123.2
\$50,000	51.4	20.6	30.8	20.7	19.8	0.9	328.4	204.0	124.4

Does it do the job?

Much has been written of the new tax bill as "the heaviest in our history" but the question might be asked: does it do the job? War taxes have two major purposes—to raise money to finance the war and to reduce the excess spending power so that prices are not driven up.

This is by far the most expensive war in history. We face a combination of enemies more dangerous than any that has ever confronted us. To beat them, as the President said, "we must outproduce them overwhelmingly" and that will cost "more money than has ever been spent by any nation at any time in the history of the world."

Total Government expenditures for the fiscal year 1943 are estimated at \$85 billion, about \$77 billion of it being directly for war. For the fiscal year 1944, war spending will reach \$100 billion. With the new tax bill collecting between \$21 and \$25 billion a year and with Treasury receipts from other sources, the great sum of from \$60 to \$70 billion a year will still have to be borrowed in fiscal 1943 and fiscal 1944.

In the fiscal year ending July 1943, both Canada and England will be financing about one-half of their budgets through taxation, and the United States only about one-third.

President Roosevelt has asked for an additional \$16 billion in taxes and savings. If this objective is attained, according to estimates in the Budget Message, we will meet about 50 percent of our budget during fiscal 1944.

What about present taxes as a means of drawing off excess spending?

Here are figures which will startle some people:

In the calendar year of 1940 total income payments made to all Americans were about \$70 billion. Total personal taxes (including income, estate, gift, and property taxes on owner-occupied homes) paid by individuals, Federal, State, and local added together, amounted to about \$3 billion.

For the calendar year 1942 total income payments are put at about \$115 billion, an increase of \$45 billion in this two-year period. Total personal tax collections, however, are only about \$6 billion, an increase of about \$3 billion.

For 1943, individual income payments are expected to reach \$135 billion but total personal taxes to be paid to all taxing authorities are estimated at \$14 to \$17 billion. Put another way, in three years, 1940-43, individual incomes will have risen \$65 billion and personal taxes only about \$11 to \$14 billion.

Non-War Expenditures Reduced

Under the new budget submitted by the President, 96 cents of every dollar spent by the Government will be for war costs and interest on the public debt and only four cents for so-called "non-war" purposes.

Non-war expenditures have been reduced steadily since 1939 until for the 1944 fiscal year they will be more than 36 percent below the 1939 fiscal year. The WPA has been eliminated; expenditures for general public works have been curtailed. The table below shows total war and non-war expenditures for fiscal 1938 through 1944 (in millions). Figures for 1943 and 1944 include expenditures of Government corporations.

	Non-war	Debt interest	War	Total
1938	\$5,247	\$728	\$1,605	\$7,580
1939	5,316	940	1,281	7,537
1940	5,246	1,041	1,711	8,008
1941	5,268	1,131	6,539	12,938
1942	5,125	1,250	26,011	32,386
1943 (estimated)	4,852	1,500	77,000	82,352
1944 (estimated)	4,131	2,000	105,000	111,131

After paying their expected taxes in 1943, the American people still will have nearly \$50 billion more income than they had left after paying their taxes in 1940.

New taxes

As possible new taxes, a number of proposals made by the Treasury last year may be reconsidered. Secretary Morgenthau urged doing away with certain tax provisions which "grant to relatively few of our people special advantages and privileges at the expense of the great mass who must pay what is thereby lost . . ." The Secretary cited three principal loopholes, "bad enough in time of peace . . . intolerable in time of war."

One is the exemption from taxation of the interest from State and local securities. A "Mr. D," paid a tax of \$198,600. If the interest on his securities had been taxable, he would have paid \$712,800, a difference of \$514,200.

A "Mr. F," had a total income for 1941 of \$1,106,000. Of this, \$817,000 came from tax-exempt local securities. He paid a tax of \$186,600. Had his securities been taxable, he would have paid \$817,200.

At 1941 tax rates the Government was losing \$184 million a year because of the failure to tax the interest from State and local securities. Under the 1942 tax rates the loss is over \$200 million.

To illustrate the unfairness of such a tax hideout for men of fortune in wartime, the Treasury cited these figures: if a taxpayer with a

subtax net income of \$100,000 received 3 percent, tax free, from a municipal bond, he got the same net return that he would get from a taxable investment yielding 20 percent.

There is no question of the constitutionality of taxing these securities, Secretary Morgenthau stated. It has been argued that these securities represent a contractual obligation on the part of the Government to leave them tax-exempt. The obligation is not that of the Federal Government but of State and municipal governments. This obligation can be weighed against various other obligations which have had to be violated or shelved because of the war, those of millions of drafted soldiers, for example.

Joint returns

Another example of "special favoritism in the tax laws" cited by the Treasury is the option allowing married couples to file separate tax returns. This opens the way for two abuses:

There are 8 recognized "community property" States: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, and Washington. In these States a husband who earns a \$10,000 salary is allowed to report \$5,000 of that as his income and the other \$5,000 as his wife's. This means a lower total tax for both of them than in the other States where the husband who earns a \$10,000 salary must report it as his income. It means that married couples in 8 States have an unfair advantage over married couples in all other States.

To end this abuse, the Treasury proposed that married couples be required to file joint returns. The income of husbands and wives in "community property" States then would be taxed at the same rate as in all other States.

Joint returns also would strike at another, more serious, abuse. At present, in all States, a husband or wife can give one another part of any income from investments. Each then pays a tax. Splitting the income, of course, lowers the total taxes paid.

"Percentage depletion"

A third loophole cited by the Secretary is the provision allowing "percentage depletion" for mines and oil wells. A businessman who has a machine which can be expected to last 10 years is permitted to deduct one-tenth of the cost of that machine each year for 10 years. This is fair since at the end of 10 years, he will have to buy a new machine. Obviously, though, he should not be permitted to deduct more than the cost of the machine.

This is not true, though, of mines and oil wells. Each year owners of oil wells are permitted to deduct an arbitrary 27½ percent of the gross incomes from their wells; owners of coal mines may deduct 5

percent, owners of metal mines 15 percent, and owners of sulphur mines 23 percent. Over the years it often means that they deduct far more than the total capital put into the property. These deductions continue indefinitely. In many instances they amount to straight subsidies from the public treasury.

One leading oil company, for example, owned a number of properties which had cost it \$3 million. Percentage depletion of \$3.6 million has already been allowed this company and it still has three-fourths of its oil left.

More taxes—more savings

Other sources of revenue have been discussed and are likely to come up for reconsideration. Among these is a general sales tax. The chief objection to the sales tax has been that it hits those in the lowest income groups hardest. Consideration is being given to a form of sales tax that would overcome this objection.

A new kind of tax designed to discourage unnecessary spending was proposed by the Treasury. This was the so-called **spendings tax**. Under it, a minimum portion of every income could be spent tax-free. This minimum was \$1,000 for single persons, \$2,000 for married persons, and \$500 for each dependent. All spending in excess of this minimum would be taxed by steeply graduated rates going as high as 75 percent in the upper spending brackets.

In addition, the **spendings tax** called for a flat 10 percent levy on all spendings by single persons of more than \$500 a year, married couples of more than \$1,000 a year and all spendings by dependents of more than \$250. Deductible from the amount subject to this tax would be various forms of savings, including investment in War Bonds, repayment of debts, and payment of life-insurance premiums. In this way saving would be encouraged and spending penalized. This 10 percent tax would be returned to taxpayers after the war.

Chief objection to the **spendings tax** as proposed by the Treasury was its administrative difficulty.

In some respects the **spendings tax** is akin to a form of compulsory saving. Plans of compulsory saving are already in effect in Canada, South Africa, and Great Britain and to a small extent have been made a part of the Victory Tax. Under compulsory savings, people must put aside part of their incomes and this is returned to them after the war.

Whatever new taxes are approved, it is clear that taxes alone cannot absorb all our excess spending power. Taxation must be supported by intensive savings. Put another way, the heaviest taxes in our history still require the heaviest saving in our history.

6. BILLIONS IN BONDS

Roughly one-fourth of the \$85 billion that we will spend in the fiscal year 1943 to halt and drive back Hitler and the Japanese and for other essential Government services will be raised through taxes. That will leave \$60 billion or more to be borrowed.

The easy way of Government borrowing is from banks and financial institutions. But that does not help in the fight against rising living costs.

When the Government borrows from banks, the loan appears on the banks' books as a credit to the Government. This creates new deposits. These deposits in turn are used to purchase goods, to pay salaries and bills—they help swell the stream of spending power.

In contrast, when the Government borrows directly from the people, no new money is created. Spending by the public is cut down as spending by the Government increases.

Borrowing from the people costs the Government a lot more. War Bonds draw from 2.5 to 2.9 percent interest while the Treasury can obtain its money from banks and other sources for as low as one-half of 1 percent. But it is worth the difference to keep living costs down.

In the seven months from May through November 1941, bond sales averaged less than \$300 million a month. Since Pearl Harbor the sale of War Bonds has increased until investments are nearing the rate of a billion a month. This rate must be bettered. Since our national consumer income for 1943 is expected to be around \$135 billion, it should not be difficult for us to make investments amounting to roughly 10 percent of the current income of every person.

Wanted: spending money

"Current income" and *"every person"* are emphasized because there have been two things wrong with our bond-buying to date. First, not enough persons are investing in bonds systematically out of their regular pay—only an estimated 24 million—and they are investing only about 8 percent of their earnings.

Second, not enough persons have bought bonds with money that they have saved by reducing their current spending. To fight rising living costs, we must invest in bonds over and above the sums we ordinarily would save. We must put into bonds money we ordinarily would use

for buying goods. *Spending* money, as well as *saving* money, must go into bonds.

In his April 27, 1942, message to Congress the President warned that "we shall have to double and more than double the scale of our savings."

"Every dime and dollar not vitally needed for absolute necessities should go into War Bonds and Stamps to add to the striking power of our armed forces."

"If these purchases are to have a material effect in restraining price increases they must be made out of current income. In almost every individual case they should be big enough to mean rigid self-denial, a substantial reduction for most of us in the scale of expenditure that is comfortable and easy for us. We cannot fight this war, we cannot exert our maximum effort, on a spend-as-much basis. We cannot have all we want, if our soldiers and sailors are to have all they need."

Dollars put into War Bonds are the safest investment in the world. When you buy a War Bond you buy a share in America. More than that, you invest your spending money now, when goods are scarce and prices high, and draw your money out, when the bonds mature in ten years. Goods then will be plentiful and, quite likely, cheaper. Too, every dollar you invest draws interest—in 10 years every \$18.75 grows to \$25.

Pay roll savings

A sensible way for people to invest their current income in War Bonds is for every worker to lay aside fixed sums, averaging 10 percent of his salary, on every pay day. This is the goal of the Pay Roll Savings Plan which the Treasury has encouraged. By mid-August 1942 more than 158,000 firms and Government agencies, employing more than 28 million workers had adopted the plan. That included big firms with a quarter of a million employees as well as small firms with only 10 or 15 workers.

In November of 1942 it was estimated that about 76 percent of the workers in firms having Pay Roll Savings Plans were buying bonds. Their total investment was over 8 percent of their monthly earnings and over 6 percent of the gross pay-rolls of these firms.

At least 90 percent of the workers participating and at least 10 percent of the gross pay-roll is the goal of the pay-roll drive.

Mere token contributions of a few nickels a week will not do. As Secretary Morgenthau put it: "This is not a token war. It is not a 2 percent war. It is not a war which can be won with spare change."

The Pay Roll Savings Plan works simply enough. It is a joint drive by labor and management. Management pays the expense, which in many instances is no small item. The workers furnish the enthusiasm and leg-work in enrolling their fellow workers. Some of the national and international unions have lent staffs of union administrators to the Treasury.

Usually the procedure is to send a letter, circular, or card to every employee asking him if he wants to pledge a specific amount every pay day to purchase bonds. The worker isn't forced to say "Yes"; he decides whether he wants to pledge, and how much. With his pledge card the worker provides the necessary information as to address, the person in whose name the bond is to be registered, who is to be the beneficiary. Thereafter, every pay day the employer automatically deducts the pledged amount from the worker's pay. The sums are deposited in a special trust fund. As soon as a worker has enough to his credit, he gets a bond.

Many companies follow up their circularizing of workers with rallies and meetings, posters, publicity in house organs, and competitions between groups of workers. Some companies have placed huge thermometers around their plants to show the progress of the drive; others have sponsored essay contests on "Why We Should Buy United States War Bonds," with War Bonds and War Stamps as prizes. A few companies add contributions of their own to each bond bought in this way. Other firms have started drives by giving each worker an album and a dollar's worth of War Stamps; in one firm, for every \$100 of bonds purchased, the worker receives a bonus in War Stamps. A Connecticut firm rewards punctuality of workers with War Stamps. Some unions have taken bonds for each of their members. Some workers are dividing overtime pay between contributions to the Red Cross and bond investments.

Thirty million workers are expected to be reached through the Pay Roll Savings Plan. That will leave another 20 million income earners, including 7 million farmers, and 3.5 million professional persons, to be reached in other ways.

2 million soldiers buy bonds

In rural areas, the Department of Agriculture's County War Boards of farmers are being used to reach every farmer. These War Boards have adopted as one slogan for their drive, "Make Every Market Day Your Bond Day." The emphasis in their campaign is to have farmers put part of their incomes into bonds as they receive their incomes. In Wisconsin, in a single week, the County War Boards reached 95,000 farmers and got two-thirds of them to sign pledges that totaled more than \$4 million in bonds.

Some 2 million soldiers have signed pledges to invest in War Bonds each month. When the basic pay of the soldiers was raised to \$50 a month many put their raises into War Bonds and Stamps.

People who put aside 10 percent of their incomes for War Bonds become members of the "Ten Percent Club." They are entitled to red, white, and blue buttons which they can wear in their lapels.

They also get window stickers for their homes or automobiles. The sticker carries the legend, "We are investing 10 percent in War Bonds." Any organization or factory which gets 90 percent enrollment receives a certificate signed by the Secretary of the Treasury entitling it to fly a Minute Man flag. Where the employees of a factory invest 10 percent or more of their gross pay roll in bonds, a special insignia is added to the flag.

The most you can afford

While 10 percent has been set as the average investment for everyone, that does not mean that those who cannot afford 10 percent must lay aside that much. Nor does it mean that those who can afford more should limit their bond investments to 10 percent. The best yardstick by which to measure our investment is that laid down by the President in his fireside talk on April 28, 1942:

"All of us are used to spending money for things we want but which are not absolutely essential. We will all have to forego that spending. Because we must put every dime and every dollar we can possibly spare out of our earnings into War Bonds and Stamps."

There is another aspect to taxes and bonds which is generally overlooked. If excess spending power were not drawn off through heavier taxes and increased savings, it would be virtually impossible to hold the price ceilings. The heavier the taxes and bond purchases, the more stable prices are likely to be.

War Bonds can be used in a variety of ways. They make excellent gifts for weddings, engagements, graduations, anniversaries, birthdays and for Christmases. War Stamps are a good way to teach children thrift. Bonds and stamps are being used as prizes and have been made the admission price to dances, benefits, union events. Social clubs are putting their funds into bonds. Hundreds of thousands of retailers urge customers to take their change in War Stamps. One bank has paid its dividend in stamps and bonds.

The most important use of War Bonds is for saving. They are an insurance for the future, enabling us to save for old age, for college, for buying a house, for travel after the war. One college in upstate New York has built up a fund of bonds and stamps to be used for the erection of additional buildings after the war.

Every dollar invested in War Bonds is a dollar of potential spending transferred from the present, when it is not needed, to the future when it will help stimulate business and create jobs. The \$8 billion invested in bonds between January 1 and November 30, 1942 represent a purchasing power after the war of perhaps \$9 billion. Held to maturity, they will be worth more than \$10 billion. Twelve billion more in bonds purchased in the next 12 months will become \$13 to \$15 billion of purchasing power after the war.

Other Government securities also help in the battle against inflation, for the War Bond program cannot itself finance the huge war deficit. The Treasury has been offering a marketable long-term 2½ percent bond, not eligible to be owned by commercial banks for 10 years, in order to attract the funds of more well-to-do investors. The smallest denomination available is \$500. Sales of such bonds, even though funds invested may not be derived from new current savings, are helpful since they reduce the need for borrowing from banks. The sale of these bonds is promoted by local Victory Fund Committees, largely organized and staffed by volunteer workers drawn from the securities, banking, and insurance fields.

These committees also promote the sale of short-term marketable securities which are available both to banks and to other investors. In addition, the committees further the sale of Tax Savings Notes, which help in reducing current consumer spending by providing a medium for the accumulation of funds for next year's taxes.

Ever-Normal Pocketbook

Let us face this fact squarely. Many persons fear that the war will be followed by a terrible depression, by great unemployment. They remember the sad aftermath of the last war. Of course, there is danger of such a depression. But to think a depression is inevitable and that we can do nothing about it is defeatist thinking. It is bad thinking.

From our experience of the last war, we have a good idea what not to do now. Keeping prices from going too high now means they will not have so far to fall after the war. The dislocations that come after a war if prices are allowed to rise wildly can be minimized, now.

All of us know that a family which saves wisely in easy money years can cushion itself against hard money days. There is no reason why a wise savings policy cannot do the same thing for all of us.

Perhaps we can find a parallel in the field of agriculture. When the Agricultural Adjustment Act first was enacted there were great surpluses of some basic farm products. At first, production was restricted to ease the glut on the market so farmers would get a better price. Soon a new plan was worked out known as the "Ever-Normal Granary."

Under this plan surpluses of the fat years are kept in the granary—largely stored under the farmer's ownership—to be drawn upon in lean years. If the granary runs over we raise less to put into it. If it runs low, we plant more to fill up the reserve again. The granary not only insures us adequate food supplies against possible years of drought and bad weather, but it serves us a mechanism by which

supplies going to the market can be balanced against demand and prices kept on an even keel.

In War Bonds we have the beginning of an Ever-Normal Granary for every family—it might be called an Ever-Normal Pocketbook. It means that we lay aside surplus spending power now against the future, when it can be brought into use to keep production stable.

War Bonds are one foundation of this Ever-Normal Pocketbook; Social Security funds are another. President Roosevelt has urged Congress to extend the Social Security system in order to draw off several billions of spending power. He has advised increasing payroll deductions so that greater benefits could be paid after the war and extending the Social Security provisions to groups not now covered, such as domestics and farm laborers. For every dollar drawn off in this way, the worker will receive "his full money's worth in increased social security."

From the start of the Social Security program in 1935, it was planned to increase the number of persons covered and to provide protection against hazards not included in the original act. By doing so now, we would not only contribute to the fight against inflation but to the development of our future Social Security system and toward making freedom from want a reality.

We know that we will end the war with the greatest productive capacity the world has ever known. There also will be the greatest demand that history has known, not only in the United States but all over the world. The ravages of bombings will have to be repaired, and the ravages of Hitler's oppression. In our own country, people will want all the things that they are doing without now—new automobiles, new refrigerators, new washing machines, new clothes. To prime this great production pump, purchasing power will have to be properly distributed.

One great backlog of strength will lie in the dollars now being saved, the billions in War Bonds, the Social Security reserves, paid-up debts. Wisely handled, those billions can serve the Nation as an Ever-Normal Pocketbook to help keep our economy stable after the war.

There is no reason for economic defeatism. Our future lies in our hands. We are confronted with the choice of laying aside our surplus spending power now in taxes and bond investments and savings or letting inflation destroy not only this surplus but a great deal more.

7. TAKING THE PROFIT OUT OF WAR

In his message to Congress on April 27, 1942, President Roosevelt declared, "And we can face the fact that there must be a drastic reduction in our standard of living."

The reason is simple enough. Everything that is produced in the United States today goes into one of two heaps. One heap consists of planes, tanks, guns, ships, bullets, everything for war. The second heap consists of the goods and services which consumers can share.

While the "war heap" is growing, the "consumer heap" is shrinking. In 1942 we produced over \$81 billion worth of such goods and services; for 1943 we will produce only about \$70 billion worth.

All of us draw our necessities for living from this consumer heap. Since there will be less in the heap, we will have to take out less. We will do so willingly, knowing that what we give up goes to our soldiers, sailors, and airmen fighting overseas.

War profiteering cannot be tolerated. Our soldiers, sailors, and airmen are not fighting for undue profits for anyone or for any group.

Limiting profits, though, is no simple matter. Above everything else we must produce overwhelming quantities of guns, tanks, ships, planes, and other weapons. If profits are limited at too low a level, manufacturers may allow costs to rise wastefully. When taxes are so great that a company keeps only a few cents of every dollar of profit, the company is likely to look around for ways in which to spend that dollar of profit, even uneconomically.

On the other hand, to allow profits to go too high is equally dangerous. When profits are too great, the spur to efficiency is dulled; management tends to become lax in keeping down costs; needless expenses and wasteful practices are tolerated. It is like a prizefighter who, thinking his opponent a pushover, doesn't train very hard and comes into the ring in flabby condition. Higher costs not only add to what the people must pay for weapons and other things, but they waste vitally needed materials, labor, and facilities.

Higher costs mean less production for every dollar, for every factory, for every hour of labor, for every bit of material used. We pay these higher costs not only in dollars but in weapons we might have, weapons which would save lives and shorten the war.

That the limitation of profits must be neither too severe nor too easy was recognized by the President when he said, "Profits must be taxed to the utmost limit consistent with continued production."

In framing such a tax measure, no single formula can be made to apply equitably to all business. If percentage of profit is measured on a base of invested capital, companies with little capital and large earnings are at an advantage. If, instead, percentage of profit is measured on the basis of earnings, then huge, long-established corporations whose earnings are comparatively small in proportion to their capital are at an advantage.

Again, some companies went into the war with built-up reserves, while others, like some aircraft manufacturers, have had to expand so rapidly they have been unable to accumulate cash reserves. Companies without reserves will find it more difficult to adjust themselves to post-war conditions.

What all this adds up to is that there is no such thing as a perfect excess-profits tax. No one tax can be expected to do the whole job. Taxing the profit out of war is a job that has to be constantly improved upon.

Net profits are coming down

Accurate figures on profits are not easily obtained. Often the figures that are available do not tell the whole story. In general, though, gross profits have been rising since the war began. Before the new excess-profits tax was enacted, in many instances, even after all taxes were paid, net profits were increasing. With the new tax law, net profits after taxes are coming down.

"Excess profits" may be defined as profits in "excess" of normal profits. To figure them, a base is established for "normal profits." This base is taken as either 8 percent of invested capital or 95 percent of the average earnings in the period 1936-39. Anything above that is "excess profits."

Under the 1941 Revenue Act, excess profits were taxed on a graduating scale from 35 to 60 percent. Of all excess profits above \$500,000, the Government took 60 percent.

In the last war, excess profits were not taxed until 1917 and the rates were roughly 20 to 60 percent. The new tax bill imposes a flat 90 percent excess-profits tax with a 10 percent post-war credit.

Let's see how this affects several typical large corporations:

Company A's 1941 income, for example, before taxes, is estimated at \$119,599,000. Under the 1941 law the total tax paid was slightly under \$70 million. Under the new tax law, the tax on the same income would be close to \$87,003,000 (or \$80,416,000 after deduction of the post-war credit).

Company B's income for 1941 before taxes was put at \$53 million. Under the 1941 law it paid nearly \$25 million. The new tax will take around \$31,550,000 (or \$29,687,000 after deduction of the post-war credit).

Company C's income before taxes for 1941 was figured at \$489,743,000. It paid \$268,335,000 in taxes under the 1941 law; it would pay nearly \$336,616,000 under the 1942 law (or \$311,286,000 after deduction of the post-war credit).

Tax-dodgers beware

While the great majority of businessmen have complied with the excess-profits taxes, a minority of businessmen have continued pledging their first allegiance to the dollar instead of to the American flag. To avoid the taxation of their excess profits, this minority has resorted to a variety of dodges such as excessive salaries or unreasonable "commissions" for "services" to their companies, unearned bonuses, or extraordinary expenses for "repairs" or unnecessary advertising. By inflating their expenses in these ways, they hoped to evade taxes.

They are not getting away with it.

The Treasury has examined tax returns minutely and has refused to sanction such tax allowances. Secretary Morgenthau described several such "particularly unpardonable attempts to escape wartime taxation" which had been caught:

The owner of a company which makes an important airplane part hired himself as the company's sales representative. He drew \$1,656,000 as his compensation in 1941. By consolidating his earnings with those of the corporation, the Treasury blocked "this obvious attempt to divert profits" and increased the corporation's tax by \$1,117,000.

In another firm, in 3 years, the salaries of employees who were stockholders increased 523 percent. The Treasury disallowed excessive salaries for 1941 to the amount of \$568,000.

The Treasury's refusal to permit allowances for inflated costs means such costs must come out of profits *after* taxes are paid in full. They cannot be used to reduce the taxes that must be paid to the Government. Not only is the Treasury insisting that the companies pay in full, but individuals who receive the bonuses, unearned "commissions," etc., must pay the full income tax on these sums.

\$25,000 salary limit

A more direct curb on excessive salaries, of course, is the order issued by the Office of Economic Stabilization forbidding the payment or receipt of any salary in excess of \$25,000 net after Federal income taxes. Additional salary allowances are permitted to take care of customary charitable contributions where a person has no other source of income and for life-insurance payments and fixed obligations where the person not only has no other source of income but can show that hardship would be caused in trying to meet these obligations. There has been some criticism of this regulation on the ground that it

\$25,000 a Year in England

Under British tax rates a person would have to receive an income of \$480,000 a year in order to have a net income, after taxes, of \$25,000. Only about 80 persons have such incomes.

does not collect enough money to make a dent in the inflation problem; that it seeks to "level everyone."

The \$25,000 a year limit was not imposed to raise money or to level people, but to prevent the payment of fat salaries and bonuses during wartime when the great bulk of the population is called upon to make great sacrifices.

The \$25,000 salary regulation does leave uncovered unearned income from investments and other sources. To remove this unfairness, the President has urged that the \$25,000 limit be extended to cover all income, both from salaries and investments.

It is one of the measures that have been adopted to take the profit out of war. It is an expression of our Government's determination to see that no war millionaires will come out of this war.

Curbing profits now

The new excess-profit taxes, of course, apply to 1942 earnings and will not be collected until 1943. Similarly, 1943 profits will not be recaptured until 1944. This means that on the surface many companies will seem to be making greater profits when actually their net earnings, after taxes, will be dropping.

This is one weakness of excess-profit taxes. Companies are allowed to make huge profits, then the Government takes most of it away in taxes. In the months that the companies hold these excessive profits, however, some of the profits are likely to be spilled in ways that aggravate the pressures making for rises in living costs.

With excessive profits comes a tendency to be lax. From the owner of the plant down through the section foremen, the feeling spreads, "We're making enough money to stand a little needless cost here and there." When the company subcontracts its business, it pays each subcontractor a little more. Firms selling the company materials ask higher prices. Workers point to the company's profits and demand wage increases.

The new taxes definitely will reduce profits after taxes to below 1941's level—that much all workers can be assured of—while the \$25,000 a year limit is a ceiling on excessive salaries and bonuses.

These measures are not the only ones that we are using to make our control of excessive profits really effective. We also are nipping profits at their sources—rising prices.

Excessive profits of companies must not merely be taken away; the making of excessive profits must be prevented.

For this purpose, we have two principal weapons, price ceilings and the Price Adjustment Boards which have been set up in the War and Navy Departments and in the Maritime Commission.

This aspect of price control is generally overlooked, but price ceilings are vital to any effective program for taking the profiteering out of war. How price controls act to curb excessive profits can be seen in the example of steel. In the spring of 1941, ~~steel workers~~ *steel workers* were granted a wage increase. There was talk among the ~~steel companies~~ *steel companies* of raising prices to make up for the wage rise. Price Administrator Henderson forbade the price rise; the companies would first have to try to absorb the wage rises out of their profits. As Mr. Henderson foreaw, steel profits proved more than enough to take care of the higher wages.

By not permitting this rise in steel prices, the people were saved roughly \$320 million in 1 year.

With a ceiling on all prices, excessive profits in almost all fields are being restrained. If costs increase—and they are likely to—they will not be passed on to consumers in higher prices unless they cannot be absorbed out of profits.

A billion saved

The Price Adjustment Boards make themselves felt in still another way. These boards are empowered to review all war contracts and use their influence with companies to scale down the prices of various weapons. The boards check the finances of companies to determine whether profits are too great, or Government funds are being wasted, or salaries and bonuses are too high, or costs are excessive. Since the boards began operation, adjustments have been made which it is estimated saved the Government more than \$1½ billion. This is not \$1½ billion that has been returned to the Government. It is a reduction in the prices to be paid by the Government in the future.

The question may be asked, why couldn't the contracts be drawn right in the first place? The answer was given by Donald Nelson, chairman of the War Production Board, in a statement announcing the creation of these boards. In time of war, he explained, "neither profits nor costs can be figured accurately in advance."

Manufacturers were called upon to produce articles they never made, new weapons for which no one knew the cost. With some of the newer airplane models, it wasn't possible to tell in advance even how much aluminum each plane would take. Many weapons were never previously made on a mass-production basis or they were to be manufactured in unheard-of quantities. Obviously it

costs less per gun to make 20,000 than to make 100 machine guns. But manufacturers could not tell in advance with any exactness how much their costs would drop as production increased. Time was too vital for contracts to be held up until exhaustive studies of costs could be made.

Now that these weapons are in mass production and costs can be determined more exactly, contracts are being reviewed and adjusted. In fact, most of the adjustments to date have been volunteered by the companies. Where companies do not come in of their own accord, the Price Adjustment Boards invite them in.

Under the Second War Powers Act, the boards have the power to subpoena books, records, witnesses, and other evidence that they need. All new contracts in excess of \$100,000 now contain a renegotiation clause. Should a company get "tough" and refuse to make adjustments, the boards can turn the information over to a Congressional committee.

To make the boards more effective, regional offices have been set up through the country.

Ultimately price adjustments are likely to run to several billion dollars. The adjustments are before taxes. Profits left after adjustments still are subject to all taxes.

The battle of costs

The work of the Price Adjustment Boards extends beyond excessive profits. The boards, too, are a reflection of the fact that the Battle of Production is entering upon a new phase. We might call this phase the Battle of Costs.

It means that we are steadily approaching the limits of our capacity, as to plants, raw materials, labor. Some time in 1943 we are likely to hit our peak of war production. Germany already has reached her peak. When this stage of capacity production is reached, increases in war output will be possible only through the more intensive use of every facility, every bit of material, and every worker available. At that point, the battle of production becomes a battle to reduce costs, to save labor and materials, to get the most out of every machine tool. In a contest of this sort, American production genius ought to shine.

The mass production efficiency for which the United States has become famous has been built out of repeated battles with costs.

In the automobile industry, for example, when a new model was being produced, the first step was to decide the selling price. The job then was turned over to production men with instructions to make the best possible automobile at that price. It became a fascinating

game to these production men to cut corners and costs. That's how they proved how good they were, by short-cuts in production, by saving a dollar's worth of materials here, an hour of labor there. The very fact that these production men had to work under a fixed price stimulated their efficiency. The companies, of course, made their profits.

"Price minus" vs. "Cost plus"

We might label this the "price minus" way of doing business, when profits depend upon the extent to which costs are reduced.

War, however, brings with it a dangerous "cost plus" atmosphere. Weapons have to be produced quickly; there are no established prices; all producers are needed. In negotiating contracts, the tendency is to have companies total their costs and add a margin of profit. The result is not only excessive profits but, very likely, excessive costs.

In peacetime, competition can be relied upon to eliminate wasteful practices. In wartime, when all war factories must be kept producing regardless of cost, waste tends to beget waste.

The Price Adjustment Boards are a step toward dispelling this "cost plus" atmosphere. In working out their adjustments, the boards try to bring prices down low enough so companies will have an incentive to reduce costs. Using the simile of a prizefighter again, we might say the Price Adjustment Boards are trying to be the hard-boiled trainer who puts his fighter through a grueling round of training and roadwork to make him tough enough to lick the world.

Most thoughtful businessmen will agree that excessive profits and excessive costs, even though footed by the Government, work against their real interest. Most of these excess profits are taken by the Government. But the fact that huge profits have been made, although not always kept, is likely to arouse the resentment of the public. As the sacrifices of war grow, so will this resentment.

Too, inflated war costs would leave many businesses helpless before the deflationary shocks that are likely to come after the war. If prices, profits, and costs continue to soar skyward many companies will find their capital structures hopelessly distorted. They will have great funds tied up in inventories whose value might decline precipitately with the war's end. Their production organization would be flabby and inefficient, hardly in the best condition to compete for post-war markets.

Far more important than current profits, which like all inflationary "values" are largely paper profits, are the long-run positions of companies, the soundness of their assets, the efficiency of their organization.

Here again, winning the war and winning the peace go hand in hand with winning the fight against rising prices.

The "butter" is going

In 1941 and the year before, businessmen increased their net profits. For the year 1942, to which the new excess profits taxes and the price ceilings were applied, earnings will be reduced drastically, in many cases to below where they were before Hitler invaded Poland. This change is a reflection of a more fundamental fact. It is that our days of "guns and butter" are gone.

It means that we have passed a fundamental turning point, not only businessmen but farmers, workers, housewives—all of us. Except for those at the bottom of the economic ladder, who are entitled to improve their living conditions, our standard of living cannot be raised in wartime, but must be reduced drastically. Businessmen must content themselves with lower profits, farmers must content themselves with parity prices; and workers in general must be satisfied for the duration with present wage scales.

It means a change in the thinking of businessmen, farmers, and workers to fit the hard facts of war.

Labor made great gains

For years farmers and workers have been organizing and striving to get a better share of the things that were produced. In this they have been aided by the Government. Through the Wagner Act and the National Labor Relations Board, the workers' right to organize into unions of their own choosing received the full protection of the law. Trade-union membership grew to the greatest number in our history, from 3.5 million in 1933, to 9 million in 1939, to almost 12 million in 1942, and it is still growing.

With strengthened bargaining power have come wage increases and better working conditions. By law, the Government has placed a floor under wages and a limit on the number of hours men or women can work before being paid overtime. Child labor has been virtually abolished. Unemployment insurance, old-age assistance, aid to dependent children, and aid to the needy blind have been provided. Labor knows how greatly its position has been improved in recent years.

Farmers improved their lots

On the agricultural side, in 1932 cash farm income, including Government payments, was \$4.7 billion; in 1942 it was more than \$15½ billion. Through the 1920's farmers suffered from a serious disadvantage against other groups in the nation. In 1933 the principle of "parity" for farmers was won.

"Parity" means that the prices the farmer gets for his crops bear the same relationship to the costs of the things he buys as in the years between 1910-14.

In 1932 on the average the farmer's dollar would buy only 53 cents of what it could in 1910-14. By 1941 the farmer had a 91-cent "parity" dollar. In November 1942 it was 109 percent of parity.

Government loans have helped farmers transform once ruinous surpluses into the working reserves of the Ever-Normal Granary. A floor has been put under agricultural prices. Marketing agreements, purchases of perishable commodities for relief and school lunch distribution, and the Food Stamp Plan have helped stabilize farm prices. All-risk insurance on wheat and cotton crops assures farmers of an income in the worst years.

Electric power has come down the dirt road as well as down Main Street. From 11 percent in 1935, the number of electrified farm homes has risen to more than 35 percent. Research and demonstration and soil-conservation payments have helped farmers put their lands into order. Eighty percent of the Nation's farm land and 70 percent of privately owned range land have been brought under the agricultural-conservation program.

Credit tailored to farmers' needs has been provided, at lower interest rates than those of private financial institutions. Since May 1, 1933, farmers and farmer-cooperatives have borrowed more than \$7 billion from the institutions of the Farm Credit Administration. Hundreds of thousands of farm families who had "lost out" as farm owners have been given a second chance through the Farm Security Administration's loans and assistance in farm management.

A recent survey of 343,000 such families showed that they had increased their net worth 43 percent. By the fall of 1942, loans had been made by the Farm Security Administration to 30,000 tenants so they could purchase their own farms.

It was guns and butter

To some extent this striving on the part of labor and agriculture for a better share of the wealth produced in the country could continue through 1941 without harming our economy. When Hitler attacked Poland there still was considerable unemployment in the country. Factories were not operating at peak, and profits on the average were not very high. As war orders came in, industries stepped up operations to capacity. Overhead costs per unit came down. With lowered unit costs, profits leaped. The output of individual workers grew in value. Workers were entitled to a share of these higher profits and with the bargaining power that they had won in recent years they were able to get it.

In the spring of 1941, steel workers demanded a share of higher steel profits and got it in a 10-cent-an-hour increase. Workers in other industries, such as aircraft, aluminum, textiles, coal mining, and shipbuilding, gained similar increases.

The wage increases of the spring and summer of 1941 came at a time when we were producing a great volume of goods for consumers, more automobiles, more refrigerators, more washing machines, more of many other things than ever before. The heap of goods and services for consumers stood higher than at any time during the last 10 years. Workers, through higher wages, could draw better living standards out of this heap.

But steadily in recent months, particularly since Pearl Harbor, the size of the "consumer heap" has been shrinking in favor of the "war heap." The full extent of this shrinking has not been fully evident because we have been living on the "fat" that has been accumulated, on goods in stores and in inventories. These stocks cannot be replenished. We have reached the point where none of us is able to get all the things he or she wants.

The reduction in living standards is our first contribution toward paying for the war. In the final analysis that is the only way the war can be paid for, not in dollars, but in physical things, in materials, in labor, in blood, and in sweat.

Higher wages, higher profits, higher farm prices—any improvement in the position of any group even if this money is saved and not spent—would add to total dollar costs of the war. That would mean a greater burden proportionately, both during and after the war, upon those whose incomes do not rise.

If wage increases had not been controlled, a small proportion of the workers in strategic war industries would have profited while the great bulk of the laboring population, whose incomes lag behind rising prices, would have suffered. To attain the ideal of "equality of privilege"—an ideal which labor unions have championed—a method had to be found to protect *all* workers. The Economic Stabilization Order does this by stabilizing all wages.

Protecting all farmers

Farmers, too, were able to improve their lot during the "guns and butter" stage of our arming. With the passage of the Lend-Lease Act new markets opened up for farm produce. Prices rose as cash farm incomes went from \$8.7 billion in 1939 to more than \$15½ billion for 1942. This is the greatest income since the boom of the last war. For the first time in 20 years, the average of farm prices is above parity.

This improvement for the farmer was possible, as was the improvement in labor's position, so long as we were producing a great volume of goods for consumers to buy. But now, with less being produced for civilians, farmers no longer can bargain for more and more. Here again, as with substandard workers, exceptions must be made for the poorest farmers, whose livings are mere subsistences.

With the total heap growing smaller no group can draw more out of the heap except at the expense of others. Workers cannot do it except at the expense of other workers and farmers and persons with fixed incomes. Farmers cannot do it except at the expense of other farmers, workers, and housewives.

It is just such inequality of sacrifice that the President's program to control living costs was designed to prevent. By stabilizing wages and living costs all workers are protected, not simply those with the greatest bargaining power. By stabilizing farm prices at parity or present levels, all farmers are protected, not simply those whose crops are in particular demand.

In the years before the war the Government pursued policies that made for higher wages and higher farm prices because the volume of physical goods and services that Americans had to share was increasing. In fact higher wages and higher farm prices were two ways to increase that volume. It was confidence in our great wealth and productive capacity that fortified these policies. Today higher wages and higher farm prices cannot be supported by an increase in the abundance of things which all of us can share. Higher wages for some workers and higher prices for some farmers can mean only less to share for other workers, for other farmers.

When, after the war, the abundance can be had again—even greater than before the war—the American people will be able to resume their climb up the ladder of better living standards.

Butter and Bombsights

This country has had to make the choice between "guns and butter" in the sense that the weapons of war come before domestic comforts. But in our actual supply of butter itself we are lucky beyond all other nations at war. In 1942, the average consumption of butter was about 16 pounds. By reducing this consumption in 1943, we can continue to provide each soldier twice as much butter as the average civilian, and will help keep him in the physical condition to withstand the Iceland climate or keep a sure eye on a bombsight.

A limit on the home use of butter also allows us to provide this sustaining nourishment to our territories and to some of our allies. England's wartime butter imports come from Australia, New Zealand, and Argentina, and we have not under Lend-Lease sent one pound of butter to Britain. But to the Russians, who put their butter requirements on the same priority as planes and guns, we have sent millions of pounds, and during 1943 we will send about 5 percent of our total estimated butter production. Every ounce will go directly to Russian soldiers on the fighting front.

8. PAYING BACK DEBTS

Since we are bending every effort to get people not to spend the money they have, naturally we don't want them to spend money they don't have. For this reason another weapon in the fight against rising living costs is the restriction of consumer credit and installment buying.

In normal times, the volume of installment buying and installment borrowing tends to rise as the national income goes up. In September 1941 the volume of consumer short-term debt rose to a new record of \$9.7 billion, roughly a billion more than in 1940. It is simple arithmetic to see that it does not reduce spending power to draw off a billion in taxes or for people to put a billion into War Bonds if they then go out and borrow a billion.

In August 1941 curbs were placed on the installment buying of a number of durable goods such as automobiles, washing machines, ironers, vacuum cleaners, and on installment borrowing as well. These goods were competing with war production for the use of plants, materials, and labor. The curbs were intended to make people less eager to buy these articles and to supplement the control of scarce materials. They were extended and stiffened in March 1942.

The precaution of curbing installment buying and borrowing was wisely taken, for under restrictions the volume of consumer short-term debt had been reduced by the end of April 1942 to \$8.3 billion. But there was still room for improvement.

On May 6, 1942, therefore, as part of the President's seven-point program to control living costs, regulations on consumer credit were revised. The restrictions on installment buying were made more drastic and the list of articles covered extended to include practically all things bought on time payment plans or charge accounts. Where the earlier regulations were designed principally to prevent consumer spending from competing with war production, the new regulations sought to cut down all credit buying and promote saving.

Under the new regulations, a down payment of at least one-third the purchase price is required for articles bought on installment and the balance has to be paid within 12 months. There are a few exceptions to this rule. Installment sales of automobiles, which now are rationed, can be spread over 15 months. For furniture and pianos, the down payment is 20 percent. Under the old regulations it was 10

percent. Property lost or damaged in a flood can be replaced without restriction, furnaces can be converted from oil to coal, and homes can be insulated.

The regulations specify that installment payments must not be less than \$5 a month or \$1.25 a week. Charge-account sales must be paid or put on an installment basis by the tenth of the second month following the month in which the purchase is made, if the account is to remain open for further purchases. Things bought during January must be paid for by March 10.

Among the "listed articles" are: automobile batteries and accessories, bedding, draperies, household and electrical appliances, used furniture, jewelry, luggage, athletic equipment, tableware, kitchenware, pottery, glassware, wearing apparel, yard goods, furs, shoes, and hats.

The regulations do not prohibit the purchase of any of these articles. However, most of the articles covered by the regulations are things which can be made to last longer, and it is both patriotic and wise to put off their purchase until after the war. Invested in War Bonds, the money that would have been spent grows, while the same goods that one might want to buy now are likely to be lower in price or of better quality after the war. And, of course, putting off buying will help prime the business pump after the war.

The Federal Reserve Board also tightened up on personal loans, more technically known as "single payment loans." These are loans of varying sums which people make for personal, not business, reasons, and which they agree to repay in a lump sum. Such loans now must be repaid in 90 days. If they are not, they must be placed on an installment basis with much the same rules as for installment loans.

The good effect of restrictions on consumer credit is now clearly visible. By the end of September 1942, our total consumer short-term debt had been reduced to \$6.5 billion.

A tip for "smart money"

Here is a little tip in popular psychology. Many people seem to like to go into debt when they have jobs that are paying them high wages, when prices are high. Looking at their weekly pay envelope, they probably figure, "It will be easy to pay off that debt." But the worst possible time to go into debt is when everything is booming.

Marriner S. Eccles, Chairman of the Federal Reserve Board, was always known as one of the advocates of liberal spending during the depression. This is what he says about going into debt now: "When incomes are at high levels, that is the time when people should reduce their debts or get out of debt."

A dollar of new debt contracted this year, unless promptly repaid,

remains a dollar of debt to be repaid after the war. But how different a dollar it becomes!

Now, with overtime pay and wages at good levels, the dollar of debt represents only a small part of the worker's total income. After the war, each dollar of debt repaid may represent a larger percentage of the worker's income—the higher we have permitted prices to rise, the greater will be this disparity. After the last war it was not unusual to pay double, in terms of real income, for debts that had been contracted during the war boom.

Mortgages stay with you

Farmers were the worst victims in this respect in the last war. During the war, prices were high, land values soared, and farmers plunged deep into debt. After the war, prices fell, land values collapsed, but the debt remained. It even increased. Agriculture's interest bill swelled from \$476 million in 1919 to \$653 million in 1921. Simultaneously, the farmer's cash income was dropping from \$14.6 billion to \$8.2 billion. In 1915 about 64 million bushels of corn would have paid the interest on all farm mortgages in Iowa. In 1921 it took 210 million bushels.

Put another way, the average interest bill on 100 acres of mortgaged Iowa land in 1915 was \$465. In 1921 it was \$895. To pay the interest in 1915, the farmer had to produce and sell 715 bushels of corn—a lot of corn and a lot of work. But to pay the interest on the 1921 mortgage, at prices then prevailing, he had to grow 2,185 bushels.

That is just three times as much—three times as much corn, three times as much land utilized, three times as much labor. That was the bill which the wartime inflation of farm prices left Iowa.

As Leon Henderson remarked before the House Banking and Currency Committee in October 1941, "You can get a price but you cannot keep it. But when you get a mortgage it stays with you."

It has taken two decades—20 years—to rebuild agriculture out of the wreckage left by the inflation of the last war.

Paying debts is money-making

This debt business can now be made to work the other way.

In November 1938 a farmer who borrowed \$1,000 borrowed the equivalent of 2,500 bushels of corn. In mid-November 1942, he could pay back that \$1,000 with 1,320 bushels of corn.

In 1938 it would have taken 1,920 bushels of wheat to pay off \$1,000; in November 1942 only 960 bushels were needed. If a cotton farmer wanted to pay off a \$5,000 mortgage in 1938 it would have taken 58,680 pounds of cotton. On November 15, 1942, the same \$5,000 mortgage could be paid off with 26,010 pounds of cotton, less than half.

It holds for workers, too. Take a shipyard worker with a \$3,000 mortgage on his home. In March 1940 he was earning 86 cents an hour and working only 39 hours a week for a weekly wage of \$33.54. To pay off the mortgage would have taken his earnings for 88 weeks. In October 1942, he made \$1.21 an hour and put in 47.6 hours a week for a weekly wage of \$57.60. The same \$3,000 mortgage could be paid off with 52 weeks' earnings.

It is at a time like this that "smart money" gets out of debt.

Lifting the farm mortgage

Wise farmers who learned their lesson in the last war have needed little urging to pay off their debts more rapidly. In 1942 the amounts paid on the principal of mortgages by Federal Land Bank and Land Bank Commissioner borrowers broke all records.

Payments on the principal of loans during the first 6 months of 1942 totaled \$131,346,000. This was more money than was paid during the entire 12 months of 1941 (\$125,589,000) or 1940 (\$106,866,000). Loans paid back entirely before their due date amounted to \$80 million during the first 6 months of 1942, compared with \$79 million paid up during the whole of 1941 and \$51 million paid in 1940. Adding up both types of payments, the payments on principal during the first half of 1942 totaled \$211 million which exceeds total payments of \$205 million made in 1941 and \$158 million made in 1940.

There has also been a marked decrease in applications for new loans. The first half of 1942 showed applications for only 14,353 new loans—a decrease of 36 percent over the number applied for during the same period of the previous year. There was a 32 percent decrease in the amount of money requested by these applications over the total amount asked for in 1941.

"Rainy day" funds

As a special incentive for farmers to use good times now to relieve themselves of the burden of indebtedness, "rainy day" funds have been set up in the Federal Land Banks. Month by month, farmers deposit sums to be used for future payments on their loans, should times go hard. The banks pay the farmers the same interest on these "rainy-day" savings as the farmer pays on his loan. From January through June 1942, deposits in these funds totaled \$10,176,000.

Repaying debts and mortgages helps control living costs in that it reduces excess spending power.

Where the money is repaid to private institutions like banks and insurance companies, these institutions invest the money in war industries or Government securities, helping to finance the war. Where the money is paid back to Government lending agencies, it helps reduce the Government's borrowing.

In his message to Congress on the seven-point program, President Roosevelt predicted that those who pay off debts now "will be grateful that they have done so, when this war is over. Elimination of private debts and an accumulation of savings will provide a form of insurance against post-war depression."

Not only farmers, but every sort of borrower, business as well as private, should now be paying off all debts not needed to carry on war business. Companies that reduce their long-term indebtedness now will have less interest to pay after the war and will be able to compete more efficiently. Should they need additional credit after the war they will be able to obtain it more easily.

Progress is being made in cutting down the home mortgage debt. In the first ten months of 1942, payments of borrowers of the Home Owners' Loan Corporation were considerably above 100 percent of billings. This means that thousands of borrowers are paying up on delinquent loans and that many others are paying in advance. More than 96 percent of the HOLC's 790,000 active accounts now are current or less than three months in arrears. For the first ten months of 1942, about 40 percent more loans were paid in full than in the same period of 1941.

Meanwhile, HOLC foreclosures dropped sharply. Foreclosures for the first ten months of 1942 totaled 2,078, as against 5,328 during the first ten months of 1941.

"The Government helped me"

In February 1942, the HOLC launched a special drive to encourage borrowers to reduce their indebtedness. The drive was suggested by the President in a letter to Jesse Jones, Federal Loan Administrator. Copies of this letter were furnished to HOLC field representatives who made personal visits to borrowers. In industrial areas, more than one-half the borrowers visited agreed to increase their payments. Some put themselves down for as little as \$2 more a month; some raised their payments by \$20 a month. One mother with six children remarked, "We will pay \$5 more each month even if the youngsters have to give up their movies."

In a number of instances lump sums were paid the collectors to reduce the principal. A borrower in Rhode Island said, "We have had good luck lately and I have saved a little over \$500. Put me down for \$500 to pay on my account and reduce the principal."

Typical of the response to this drive are these reactions to a questionnaire sent out by the HOLC in one section asking borrowers why and how they had paid off their loans:

"I paid because I had the money and thought it best on account of war conditions and to be clear of debt."

"Got a good job as electrician on one of the Government defense jobs and so we are able to save enough to pay this out on our home. Since the Government helped us out we are now able to help them by buying Defense Bonds."

"I paid it off to live once in a house that was paid for. I anticipate that I may be in this darn war before it is over and I wanted to feel that my Gal would have a roof over her head while I was away."

A similar drive has been launched among homeowners holding FHA mortgages. In a letter to John B. Blandford, Jr., Administrator of the National Housing Agency, the President urged him to appeal to FHA homeowners to "increase payments on their mortgages." Through the Federal Home Loan Bank System, which provides a credit reserve for some 3,800 private thrift and home-financing institutions, such institutions have been asked to cooperate in this drive to get homeowners to reduce their debts.

Debts and bonds

Some persons may be puzzled as to which to give preference to, investment in War Bonds or repayment of farm loans and home mortgages. In answer to that question it can be said that all regular mortgage and installment payments come first. Once they are out of the way, the homeowner can decide for himself how much to invest in War Bonds and how much extra to apply against long-term debts.

So far as the fight to control living costs is concerned, a dollar invested in War Bonds or a dollar paid back in debts is equally a dollar less spending power to drive up prices.

As still another aid in fighting rising living costs on the debt front, on May 7, 1942 the Federal Deposit Insurance Corporation, the Federal Reserve Board, and the Comptroller of the Currency issued a joint statement urging private banks and lending institutions to amortize all personal single payment loans as far as possible. Instead of having loans come due in a lump sum, say one year or five years from now, repayments would be staggered on an installment basis. This has the double advantage of making it easier to pay the debt and of drawing off current spending power.

Banks also have been asked to use their influence "to discourage all unnecessary purchases of civilian goods," particularly on the part of businessmen who may be trying to increase their inventories in anticipation of shortages that will come.

All of these measures are designed to stimulate the paying back of debts. They also make for a sounder debt structure and thus help to build a better world after the war. Paid-off mortgages, reduced debts, or debts spaced out so they can be paid in small sums, help maintain the Ever-Normal Pocketbook.

9. PRICE CONTROL

When inflation threatens, prices do not rise uniformly or in a straight pattern. They spiral upward irregularly, with each upward spurt gaining momentum. First one price jumps, then another. The worker finds his living costs rising and demands higher wages. That jacks up costs again so the manufacturer raises his prices. This increases what the farmer pays for things and he demands a boost in prices. And so it goes.

It is a race with each lap more hectic than the one before. What starts off as a walk becomes a trot, then a gallop and, finally, a wild, mad sprint over the precipice of inflation—a race which everyone loses in the end.

This threat of inflationary rises in living costs, we have seen, grows out of the gap between the swelling amount of money people have to spend and the dwindling supply of things there are to buy.

For 1943, it is estimated that our national consumer income will probably reach \$135 billion, of which only from \$14 to \$17 billion will be drawn off under present taxes. Against that, at best, the total quantity of goods and services available will amount to \$70 billion. In the latter part of 1942 we were saving at the rate of \$25 billion a year. Assuming we continue saving at that rate, there still would be more than \$90 billion of money bidding for \$70 billion of goods.

To narrow this "inflationary gap," we stretch our use of available supplies and reduce people's spending. This, however, takes time. And that is where price control comes in—to hold down living costs until other measures like taxation, bond investments, wage stabilization, the repayment of debts, etc., can make themselves felt. To draw a military comparison, price control can be thought of as the force thrown into the breach to hold an important front to win time for organizing and bringing up the rest of the army.

Without price control, none of the other measures necessary to control living costs could be carried through successfully. Rising living costs would cut the real value of people's incomes and they would find it difficult to pay heavy taxes and invest in War Bonds. Wages could not be stabilized if living costs were left free to rise; nor farm prices.

Price control, however, cannot stand by itself. The most effective price controls can hold living costs for only a short period unless

excess spending is reduced and supplies stretched in every possible way. Again, thinking of our military comparison, the force that is hurled into the breach can hold only so long and then must give way if the other forces are not brought up.

With roughly \$4 of cash bidding for every \$3 of goods, prices, if uncontrolled, would skyrocket. These price increases would not make more goods available, for military needs must be met first. They would merely set all of us bidding against one another, in a wild scramble for what goods there are.

The rich would outbid those with less money, getting more than their fair share of the available goods. War requires a temporary reduction in living standards. Price control is the first essential toward sharing that burden equitably.

War demands controlled prices

Skyrocketing prices for civilian goods would also put a drag on our war mobilization. Civilian producers, earning nice profits, resist the conversion of their facilities to war production; they compete with war industries for raw materials and for labor, particularly skilled workers. If prices were left uncontrolled, the battle of production might be lost; the mobilization of our manpower, now one of our most critical tasks, would falter.

No one who has studied modern war would think of fighting such a conflict without controlling prices. Every nation at war today is doing it.

Germany adopted an over-all "price stop" in 1936. To the Nazis, price control was as much a part of the preparation for war as was the production of vast numbers of tanks and planes.

Canada imposed a ceiling on all prices, rents, and wages in November 1941. Living costs in Canada had been rising abruptly. The ceiling flattened them out. Eight months after the ceiling went into effect, Canadian living costs had risen only 2 percent.

In England, rents were frozen at the very start of the war and an ever-increasing number of commodities have been brought under control until today few things are exempted. The Japanese took their first legal steps toward price control when they went to war with China in 1937.

Immediately after Hitler's attack on Poland, Australia placed a ceiling on the prices of most commodities. In February 1942 when the Japanese threatened invasion, the Australian Government announced a spectacular "freeze" of the entire economy. Profits were limited rigidly; interest rates were controlled; the sale of such things as real estate and stock certificates was forbidden. Prices

were frozen and wages were pegged at February 10 levels with provisions for adjustments for rises in living costs, for completing pending negotiations, and for eliminating injustices. Prime Minister John Curtin, a member of the Labor Party, declared:

"This is no time for people to be thinking of capital gains or of any controversy over improved standards of living. If we can safeguard our standard of living and the capital assets of the community, and promote greater equality while putting forward the supreme effort required to win the war, we shall have achieved more than most belligerents and more than we can rightly expect in the peril which surrounds us."

The lesson of 1918

In the last war we did not try to control prices until well into the conflict. As a result, as Mr. Baruch has often said, "prices had gone through the roof before we tried to stop them." Even then, price control did slow the rise. Prices which were mounting at the rate of $3\frac{1}{2}$ percent a month slowed to one-half of 1 percent a month after the controls were put on. With the end of the war the controls were lifted and prices skyrocketed more rapidly than ever before.

It is significant that among the most ardent advocates of thoroughgoing price control in this war have been men like Bernard Baruch and Herbert Hoover, who did the job of controlling prices in the last war.

To avoid the mistakes of 1917 and 1918 a provision for price control was written into every scheme of industrial mobilization that was worked out in preparation for this war. In his annual report in 1925 Secretary of War Davis stated:

"That drastic control over all the essential elements of industry is necessary in war was proved in this country and all others engaged in the World War. This control, to be effective, must be exercised promptly. That our resources may be used to support our combatant forces and supply the essential needs of our civil population, authoritative priorities must be enforced. It is vital that there be a control over prices that affect the living expenses of our people who must produce supplies required in war."

First steps toward control

When the National Defense Advisory Commission was established in May 1940, the President named Leon Henderson to the Commission to keep guard over prices. With the reorganization of the Commission into the Office of Production Management, a separate agency was established with Henderson as Administrator to watch over prices. For a time the prices of vital raw materials were held down through "informal persuasive" means of control, supported by the emergency powers of the President.

This was popularly known as the "jawbone policy," for there was no specific law to control prices. The chief enforcement powers of

the Price Administrator lay in public opinion and in the threat to invoke the President's emergency powers.

By July 1941, however, it was felt that price control had to be fortified by legislation and the President requested it. In January 1942 Congress passed the Emergency Price Control Law.

The method of price control that was first followed was "selective." That is, as the prices of a particular commodity showed signs of getting out of line, action was taken on that price. Using this method, by mid-April of 1942, about one-half of the entire wholesale price structure had been brought under control.

How effective these individual ceilings proved can be measured by comparing the behavior of controlled and uncontrolled commodities. As of April 18, 1942, the Office of Price Administration estimated that 92 percent of metal and metal products were under control and that the prices of these products had risen only 11 percent since August 1939. In contrast, farm products, only 3 percent of which were under control, rose 71 percent in price during the same period.

Other types of commodities, the percentage under control, and the rise in price between August 1939 and April 1942, follow:

	Percent Control	Percent Rise
House furnishings.....	89	20
Fuel and lighting materials.....	79	7
Lumber and building materials.....	59	23
Textile products.....	39	44
Hides and leather products.....	32	29
Foods.....	27	47
Chemicals and allied products.....	25	31

Despite the relative effectiveness of the individual price ceilings, living costs continued to mount. The other half of the wholesale price structure, which included practically all foods and clothing, was not under control. Nor were retail prices. Too, by mid-April the inflationary pressures of declining civilian production—plus a national income being swelled by high profits, wage increases, and rising farm prices—had become so powerful that the general price level was being pushed up irresistibly.

New stage in the battle against living costs

Over the course of the previous year, workers in general had received wage raises. Living costs, however, continued to soar and by the spring of 1942 labor was demanding fresh wage boosts. Farmers had been getting higher prices, but the costs of machinery and seed, too, were racing upward. Industrialists, whose output was being curtailed because of war needs, were complaining that their costs

would rise as their volume of production decreased. They wanted price increases. Yet rising prices already were cutting seriously into the real wages of the poorer people and of those with fixed incomes.

The spiral had begun

By the middle of April 1942 the Bureau of Labor Statistics cost of living index had risen more than 15 percent since September 1939. The prices of many foods and common articles had soared by an even greater percentage. Pork chops that cost 35 cents a pound before Hitler invaded Poland sold for 42 cents a pound in mid-April of 1942. A cotton dress which could have been bought for \$3 was priced at \$5. Overalls and workshirts cost 50 percent more; house furnishings a fifth more. In areas where war industries had drawn great numbers of workers and their families, rents had leaped to exorbitant heights.

One day's earnings out of seven—that was roughly what many families already were losing because of higher prices.

More ominous, like a raging river sweeping to flood heights, the rate of these price rises was accelerating. In the 32 months between August 1939 and mid-April 1942, the prices of basic commodities increased 67 percent, half of the increase occurring during the last 12 of these months. Wholesale prices rose 32 percent, two-thirds of it in those last 12 months. Retail prices went up more than 23 percent, three-fourths of it in those last 12 months.

Put another way, the wage earner's dollar that purchased 100 cents of retail merchandise in the summer of 1939 still could buy 99 cents' worth of goods in January 1940 and 98 cents' worth in January 1941. By January 1942 the dollar bought only 88 cents' worth of goods. By April 1942 the dollar was losing its real purchasing power at the rate of more than one cent a month.

That was the situation we faced in the spring of 1942. The first lap of the inflationary race could be said to be over. If the Nation were not to start on the second, more dangerous lap, the race had to be halted at once.

The threatened general price increases could not be halted by individual ceilings on individual commodities. There wasn't time to draw up the thousands of individual ceilings that would be necessary. All rises had to be halted together. The only effective action was one which would bring virtually the entire price structure under control in a single dramatic stroke.

The general price ceiling

This over-all price ceiling—officially known as the General Maximum Price Regulation—was announced by the Office of Price Administration on April 28, 1942.

Retailers, wholesalers, manufacturers, and producers (with some exceptions) were prohibited from charging more for goods or services than their highest prices charged during the month of March 1942.

Millions of articles, domestic and imported, were brought under the ceiling. Included were almost all processed foods—bread, sugar, coffee, beef, pork, fresh milk, and cream; all articles of apparel, including shoes; dry goods, soap, fuel, drugs, furniture and furnishings, hardware.

Various types of services, such as laundry, dry cleaning, shoe repair, auto repair, funerals, and fur storage, were also covered.

Simultaneously with this General Maximum Price Regulation, the OPA announced a rent control program for several hundred areas in the country covering about 70 percent of the population.

Uncontrolled foods rose

The general ceiling had a dramatic effect at first. From May 15 to June 1, the cost of living index dropped one-tenth of 1 percent. That was small enough, but it was the first decline in the index for 9 consecutive months. The decline would have been greater if uncontrolled foods had not risen five-tenths of 1 percent. Food under control dropped.

Chiefly because of a complicated provision in the Emergency Price Control Act forbidding price ceilings on farm products until farm prices had reached 110 percent of parity or higher, many foods were not covered in the general price ceiling.

From May 15 to mid-August the average prices of uncontrolled foods rose 10 percent; while controlled foods fell three-tenths of 1 percent. The pressure of these uncontrolled foods forced a small rise in the total living costs index.

If farm prices had continued to mount, food would have risen and wages could not have been stabilized. Without wage stabilization it would be impossible to control prices, including those of agricultural products whose parity definition would be changing.

In his message to Congress on April 27, 1942, the President asked that the provision in the price control law requiring farm prices to reach 110 percent of parity or higher be changed. On Labor Day the President renewed this request, warning that swift action was imperative. On October 2 Congress passed a series of amendments to the Emergency Price Control Act.

The following day the President issued an executive order establishing the Office of Economic Stabilization, instructing the Office of Price Administration to place 60-day temporary ceilings on nearly all farm and food prices. The President also ordered rent control extended throughout the country.

Under the new Act, the overwhelming bulk of commodities which go into the household market basket are now regulated. No longer exempted from controls are butter, cheese, evaporated and condensed milk, eggs, poultry, flour, dry onions, potatoes, fresh and canned citrus fruits, lamb, and corn meal. Still uncontrolled are some highly seasonal foods such as fresh fruits and vegetables and fresh fish.

Prices are at ceilings or below

The ceiling does not rigidly "freeze" prices at these maximum levels. A ceiling is only an upper limit. While prices cannot rise above the ceiling without OPA permission, they can fluctuate freely below it. Most ceiling prices today are governed by the scale of March 1942 as directed by the General Maximum Price Regulation issued in April 1942, but there also are specific regulations which fix ceiling limits as of other dates.

The Office of Price Administration is now in the process of substituting, as far as is practical, specific dollars-and-cents ceilings in place of the March ceilings. This will simplify price control for the storekeeper and the housewife and make enforcement easier. Dollars-and-cents ceilings already have been set up for silk and nylon stockings, rubber overshoes, war model bicycles, new and second-hand tires, recapped tires, new autos, new and used mechanical refrigerators, new and used vacuum cleaners, used typewriters, and a number of other items.

Under ceiling prices, customers must get the same amount of goods, the same weight and quality, as before. Different stores may have different maximum prices for the same articles because they were charging different prices on the date chosen as the ceiling limit. One storekeeper permits charge accounts, another sells only for cash; one operates by selling a large volume of goods on a small profit, another requires a larger margin to stay in business. Each storekeeper must abide by his own ceiling price. In this way as much as possible of the normal competition between retailers is maintained and consumers can continue shopping from store to store for the best price as in normal times.

"Cost-of-living" items regulated

The most common commodities, known as "cost-of-living" items, are now regulated. Retailers must have the maximum price of each of these items, about 200 different classes of goods, posted where the customer can see them—on the article itself or on shelves, bins, or racks. A duplicate list of prices of cost-of-living articles as well as all other prices must be filed with the local War Price and Rationing Board.

There has been so much debate over rising prices that many persons have overlooked the substantial progress that has been made under the General Maximum Price Regulation. Before this general ceiling was put into effect the cost of living had been rising at the rate of more than 1 percent a month. Since May 1942 the rate of increase has been only one-half of 1 percent a month. Most of the cost of living items which have been controlled by the General Maximum Price Regulation from the start have remained almost unchanged. The increases have come almost entirely in the uncontrolled items, principally in uncontrolled foods.

Hold that ceiling

So far as possible, the Office of Price Administration is determined to maintain ceiling prices. Doing so, however, is not simply a matter of proclaiming ceilings and letting it go at that. When ceilings were first imposed some retail stores were selling goods purchased months before and wholesale prices had meanwhile increased. When these storekeepers tried to replenish their stocks they sometimes discovered that wholesale prices were too high for them to resell the goods at ceiling prices.

This "squeeze" affects not only retailers but wholesalers and manufacturers. Labor costs have increased in some industries; in others more costly materials have had to be substituted for materials needed for war production; shipping and transportation charges were boosted. Furthermore, the decline in the total volume of civilian production constantly tends toward higher costs per unit.

If price ceilings are not to be raised, methods must be found to offset these pressures. In general, there are three alternatives:

To lower profit margins.

To reduce costs by eliminating frills and standardizing and simplifying production and distribution.

To grant subsidies in particularly hard-pressed cases.

The first alternative has come to be known as "rolling back the squeeze." For example, prior to price controls, the three largest soap companies announced price increases averaging $3\frac{1}{2}$ percent. Soap is normally a slow-moving item. Most retailers did not raise their prices but continued selling soap from stocks purchased at the pre-rise price. When the general ceiling went into effect, retailers found that they had to pay higher prices for their soap but could not raise retail prices. At OPA's request, the three big soap companies voluntarily restored their prices to the old levels. This technique has been used in other instances.

Even more effective in easing the "squeeze" is reduction of costs within the industry by getting rid of wasteful practices and frills in production and distribution. This means simplifying styles and standardizing commodities, reducing the number of varieties and models, doing away with expensive packaging, ornamentation, and decoration, reducing cross-hauls, cutting down on delivery services (which has the added advantage of saving rubber tires). Many things about American production and distribution have always been extravagant and great savings can be made by paring away some of this "fat."

By standardizing products, people can be assured of articles of standardized quality and price and the most economical use can be made of what materials and facilities are allocated for civilian use. In England much the same kind of program, known there as "utility production," has been carried through successfully.

There is now only one kind of gasoline, "pool petrol," in England. Margarine and tea have been standardized. Candy manufacturers have had their varieties cut. The ambitious "utility goods" program being pushed by the British for the manufacture of cheap, serviceable goods of standardized quality embraces utility suits and footwear, utility crockery, utility tables, utility jewels, utility clocks, utility suitcases, and utility umbrellas. Three-fourths of all clothing is now of "utility" design. New cups are being produced without handles, for cups with handles take more material, time, and labor.

Concentration of industry

The British also have been concentrating civilian production in a few plants. Instead of having 10 factories working at 50 percent of capacity, 5 plants are shut down and the other 5 work at full capacity. The interests of all the producers may be protected by sharing in the sales and profits. This "concentration" of production has been done primarily to speed the conversion of industry to war and to free workers for other jobs. Through concentration, it has been estimated that in 14 months 250,000 factory workers and 55 million square feet of floor space were released for making munitions.

Canada and Germany, too, have pushed standardization. In Canada bread has been standardized from 40 to 15 varieties; vegetables must be canned in specified containers to sell at standard prices; umbrellas must be made to fit 1 of 3 prices. Only 1 kind of toilet soap is being manufactured in Germany, only 1 kind of shaving soap, just 2 kinds of laundry soap. The varieties of shoe polish have been cut from 60 to 3.

Simplification as a weapon of war

Some measure of simplification and standardization already has been effected in the United States. Beginnings also have been made in the field of concentration of civilian production—in stoves, typewriters, bicycles, and farm equipment. In the main, however, these programs have been developed as a means of conserving critical materials and as a by-product of the conversion of industry to war production. Under a program announced by Director of Economic Stabilization Byrnes in November 1942 these efforts are to be extended vigorously to cover basic living essentials.

From Director Byrnes' statement it is clear that simplification and standardization are to be relied upon as major weapons in controlling living costs. Industry is to be encouraged to perfect its own schemes so the competitive spirit will not be destroyed.

Effectively carried through, such a program can off-set the pressures of rising costs that threaten the price ceilings; it can maximize the civilian output; and it can bring the prices of some essentials down.

The very great administrative task involved in maintaining price ceilings will be eased. Instead of a variety of types and styles of variously priced articles, we would have relatively few types of each commodity, standardized in both price and quality.

A tendency has been developing for lower-priced lines to disappear from the market, compelling persons to buy more costly goods. This amounts to an increase in living costs. Again, some manufacturers have sought to evade price ceilings by cheapening quality, which also has the effect of a hidden increase in price. Simplifying and standardizing products will combat both these evils.

Similarly, simplification and standardization will ease the administrative problems of all rationing programs.

Considerable savings will also be effected in manpower, materials, machine capacity, transportation, fuel, and other acute war needs.

Here again, with imagination, we can see how the parts of total mobilization fit together like pieces of a jig-saw puzzle. By simplifying and standardizing, production and distribution costs are lowered, making it easier to keep prices from rising. Also, conversion to war production is spurred and manpower and other war essentials are released for jobs in war industries.

It is no accident that a war economy develops this way. The "tighter" our supplies of raw materials and labor become, the closer we draw to the peak of our resources, the more the war becomes a "battle of costs," of getting the most out of every bit of material, every plant, every worker. This "battle of costs" cuts across the production front, the manpower front, the living costs front.

Subsidies

Despite reductions in profit margins and reductions in cost through economies of various sorts, there may be cases where these will not suffice to overcome the "squeeze" between the established ceiling price and rising costs. Subsidies may have to be paid to prevent price ceilings from being punctured and to keep essential production going. Or, it may take time to put into effect programs of simplification and standardization, and subsidies may be necessary to tide an industry over.

Subsidies may have a number of advantages over raising price ceilings. Take a case where the aim is to increase production by bringing in high-cost producers, as in copper, lead, and zinc mines. If the price is raised high enough for the high-cost producers to mine their ores profitably, all of the lower-cost producers reap an unnecessary bonus. This is prevented and the desired production obtained by maintaining a fixed price and granting the high-cost producers a premium for increased production over their quotas.

Premium payments save millions

If in place of this premium, the price had been permitted to rise proportionately, the extra cost to the Government would have been hundreds of millions of dollars.

Again, we are purchasing abroad a number of vital war commodities. Costs of shipping to this country have increased because of the war. We are paying considerably more for some of these items than it costs to produce them in this country. In many cases it is to prevent these vital commodities from falling into the hands of the enemy.

Brought to this country, these commodities are resold at established ceiling prices and the loss is written off in a subsidy operation. If ceiling prices were raised to the same high levels that are paid abroad there would be no need for the subsidy. But this would mean exorbitant profits for certain domestic producers. It would mean great increases in the cost of producing weapons and in living costs. Here, again, the relatively small sums written off in subsidy losses save many millions of dollars.

To support prices

As a third example, for some years now a price support program by means of guaranteed loans to farmers has been carried out for basic farm products. These floor prices have been established to stimulate the production of food and other agricultural products to record-breaking levels. For some crops Congress has prescribed the loan value and therefore the level at which prices are to be supported. If the commodities that are supported fall below the guar-

anteed loan value the Government must absorb the loss. That, of course, means a subsidy. If all subsidies were to be eliminated, there would have to be a complete overhauling of our present system of guaranteeing farmers fair returns for their produce.

Cheaper than price rises

For many essentials, it might be cheaper for the Government to pay a subsidy than raise the ceiling. It is an established business practice to figure profits as a percentage of costs. This means that there is a tendency for price increases to pyramid as the commodity passes from the primary producer to the retailer. What goes in at one end as a penny a pound may come out at the other end as three or four cents a pound. Nor is there any guarantee that a price increase will benefit the particular groups that should be benefited. Through a subsidy the money can be put exactly where it is wanted.

Then, every price is someone else's costs. Permitting a price increase may upset costs all along the line and require extensive changes in other ceilings, which creates both administrative difficulties and difficulties for people who must pay these higher costs. Wages may be forced up. These things in turn increase the costs of what the farmer buys. It is just this vicious inflationary race that we are trying to prevent.

In Canada, it was found that the general price ceiling could not be held without subsidies. Goods imported from other countries whose prices had risen could not be resold at Canadian ceiling prices. The shipping crisis compelled a shift to more expensive rail transportation for some commodities. Again, threatened rises in the cost of living would have compelled a general wage increase, which, in turn, would have affected the costs of many commodities—a vicious spiral which the Canadian Government felt it was cheaper to prevent.

In England, subsidies are being used even more extensively as an aid to price control. The first subsidies were for sugar and bacon. By now they cover most major food items—flour, bread, oatmeal, meats, milk, sugar, eggs—and are estimated to be costing the British Government half a billion dollars a year. With most items, the Government buys the foods and resells them to the people at a loss.

It may seem as if the subsidy is being given to some special group. Actually, it is important to remember, the subsidies benefit consumers, every worker, every farmer, every housewife. Subsidies, of course, are granted only where necessary to maintain production and keep living costs down.

Simpler food ceilings coming

Simplified food ceilings, now being worked out by OPA, will make for easier public understanding and clear the way for the public to help in enforcement of price control.

Because of the repeated changes in food prices made necessary principally by the agricultural provisions of the original price control act, food price ceilings have become unwieldy. And so OPA is shifting from the March ceiling basis of the General Maximum Price Regulation to a new system of margin control. That is, for most foods, retailers will add a specified mark-up to the price that they pay and that will become the new ceiling price.

All stores will not have the same mark-up since under normal operations different sizes and kinds of stores have different operating costs. The OPA plan calls for dividing all food establishments in the country into four categories: (1) Supermarkets, independents, and chains which do a volume of business in excess of \$250,000 a year; (2) chain units which do less than \$250,000 of business; (3) independents whose business volume is more than \$50,000 but not above \$250,000 and (4) independents under \$50,000. Different mark-ups will be permitted for each of these four types of stores, the bigger stores getting the narrowest margins.

Price ceilings under this mark-up system will not be based on a date but will be in specific dollar-and-cent terms. In key cities, the OPA will publish the maximum dollar-and-cent prices for major items in the budget for the stores in that area. When these lists are published, the housewife will know exactly in cents per pound, can, or package the highest price she can be asked to pay.

Harsh penalties

Harsh penalties are provided in the law for those who violate price ceilings. They may be fined \$5,000 or imprisoned for 1 year. Under the regulations all retailers and wholesalers are licensed automatically. If they violate the ceilings their licenses can be revoked. This prevents them from selling any articles under price control for as long as a year. Retailers selling above ceiling prices also can be sued in civil courts by buyers for three times the amount of the overcharge or \$50 (whichever is greater) plus court costs and lawyers' fees.

It is up to the consumer not to pay more than the ceiling price. That means, no matter how scarce the commodity, one consumer must not try to outbid another consumer.

Consumers must learn both the ceiling prices and the quality offered, since adulterated quality amounts to an increase in price.

If you believe your retailer is charging more than his ceiling price, mention it to him. If his explanation is not satisfactory, report the facts to the nearest branch of the Office of Price Administration.

To avoid needless complaints, study the list of commodities exempted from the ceiling. Lists of these items have been printed. Get a copy and keep it handy. Also remember that each retailer has his own ceiling price. Different stores can charge different prices.

The battle of rising living costs has made it your patriotic duty to become a careful shopper. Buy carefully, buy only what you need, and only when you need it. Above all, do not hoard. Know the prices you pay for things. Watch the quality. If you do these things you will be more than repaid not only by extra economies but also by the knowledge that you are helping fight through to success a major war policy—adequate price control.

10. A ROOF ON RENTS

A sailor was transferred from Pensacola, Florida, to a base in California. He had a wife and child and had enlisted in the Navy long before the declaration of war. He stayed at his new base for only 3 days before being transferred to Alameda and from there to combat duty in the Pacific.

During those 3 days the sailor had to pay \$83 rent for a two-room apartment. His base pay was \$94 a month plus a food and housing allowance, a total of \$144 a month.

This is not an isolated example of abuses in wartime rentals. To be sure, the sailor in question—after the naval commandant at his base had gone into action—received a refund of \$76 from the unwilling landlord. But there are hundreds of cases on file in Washington where no refund was had. In many communities in the United States rents skyrocketed to profiteering heights.

War brings great shifts in population. Factories spring up where cornfields once stood; munitions industries boom while peacetime industries slow down; millions of new workers are drawn into factories from farms, towns, and cities all over the United States. It is not unusual for war areas to double, triple, and quadruple in population. Since new housing cannot possibly keep pace, rents tend to leap, often fantastically.

Old residents who have lived in these communities for years are forced out of their apartments by rent increases. Newcomers must search long and hard for tolerable living quarters within their means. What happens in such communities appears in these extracts from a few letters, chosen at random from the thousands written to President Roosevelt and other officials.

From a worker in Arkansas, where a new war factory and an air school were being built:

"The population has increased by leaps and bounds. The laboring class of people were paying a just amount of rent until this boom came along. Now, the rent on houses that we were renting at a just rate has been advanced 100 percent . . . we are not able to pay this high rent on the salaries we are making . . . is it not possible for the Government to control this robbing of the people? . . . We don't mind working long hours and paying high taxes but we don't want to be robbed by landlords while we are doing our part to win the war."

From a girl with a widowed mother, two sisters, and a brother to support on \$80 a month:

"Very few houses are for rent now, but those that are rent for more than any ordinary working person can pay. Houses that used to rent for \$12.50 rent for \$27.50 now. Two unfurnished rooms that used to be \$10 a month rent for anywhere between \$17.50 and \$20. And most places don't want children and people who have them are just out of luck. The house that I am living in now is sold and we were supposed to be out by July 1, but we can't find a house that rents for less than \$40, which is above my means."

From a woman in Connecticut:

"Six months ago I had a \$30 a year raise (in rent). Now our landlord tells us she is going to raise it again. She admits she does not need the money but that everyone is getting all they can and she might just as well. Those people who get \$90 to \$100 a week don't feel it as much as those getting \$40. I know how it was in the last war. It took very nearly 2 weeks' pay to pay the rent and what you really needed for food, clothing, medical supplies you just had to go without. We would all like to buy defense bonds and stamps but won't be able to if rents keep going up."

From a defense worker in Alabama:

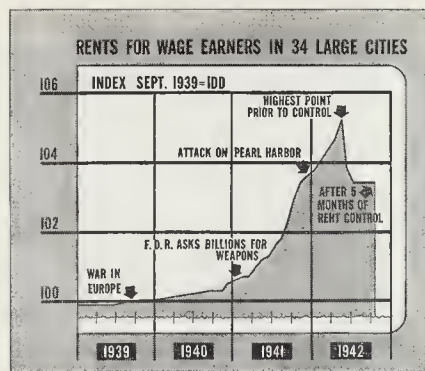
"Am working on a defense project, living in one room, cooking on a hot plate, the rent being \$15 a week. Ordinarily this same room and others similar to it would rent for \$3 to \$4 a week. Why not stop this terrific increase so men may complete these various defense projects? Our goal to victory most certainly will not be reached with men leaving these jobs on account of this housing problem."

Rents rose everywhere

With the passage of the Emergency Price Control law in January 1942, the Office of Price Administration moved to bring rents under control in the most crowded defense areas like San Diego, Hampton Roads, Hartford, and Mobile. However, it soon developed that the pressures forcing rents up were not confined to a small number of cities. The whole Nation had become a workshop for war.

Too, the building of new homes has been curtailed all over the country because many construction materials were needed for war construction and war production. At best, priorities available for building private homes could meet only the minimum housing needs in the most overcrowded areas. They could not provide for a normal vacancy rate everywhere. Without some margin of vacancies there is no longer a free rental market. Tenants have no choice but to pay the higher rents that are asked.

Another reason why swift, comprehensive action on rents was needed was the tire shortage. Men who were riding 25 to 35 miles to a factory began moving to town. Pressure on available housing grew and rents increased.



Office of Price Administration

Also contributing to the steady lowering of the vacancy rate was the fact that as families found themselves with more money to spend, "undoubling" became the popular thing. During depression years, families tend to "double up." When their incomes rise, they seek separate dwellings. Further increasing the demand for homes is the war-quicken marriage rate.

When rents leap

Next to food, the largest single item in the cost of living for American families is rent. Most families spend about one-fifth of their incomes on shelter. Any widespread increase in rents plays havoc with living costs and cannot help but have serious effects on war production.

When rents leap out of bounds in any production center, many workers stay away.

If others come, they will not remain unless their wages are increased proportionately. They go elsewhere in the hope of finding lower rents or higher wages. As early as the spring of 1942, the turnover of war workers had reached alarming proportions. One shipbuilding firm reported that it was losing 500 workers a week. All war production was suffering.

Paul A. Porter, Deputy Rent Administrator, has said: "A stable rent level can do more than freezing the price of any single commodity to maintain peaceful labor relations."

And so, as a companion measure to the general price ceiling, the OPA on April 28, 1942, increased the number of defense rental areas to 323, including Puerto Rico. In the months that followed, additional areas were designated in the United States and Alaska, until by August 13,398 such areas, populated by an estimated 90 million persons, were covered.

On October 3, as part of his action in establishing the Office of Economic Stabilization, the President ordered that rent control be extended throughout the country, taking in all areas not already covered.

Rental dwellings of every type come under the order. Included are everything from skyscraper apartment houses to trailers, tenements, single houses, duplexes, boarding and rooming houses, hotel rooms, and tourist camps.

Maximum rent dates

Rent control takes the form of a ceiling over rents for each area as of some previous date. For all houses and apartments in the new areas brought under the rent roof by the President's order of October 3, the date is March 1, 1942; for hotels and rooming houses the ceiling is the highest rent charged in the 30-day period ending March 1, 1942. In many areas previously designated, however, rent rises had been particularly exorbitant and the dates were pushed as far back as January 1941.

The rent regulations differ from the price regulations in that the initial order takes the form of a recommendation from the Price Administrator to property owners and state and local housing officials that rents be brought in line with the designated maximum rent dates. If, within 60 days, rents are not reduced to the levels recommended, the Price Administrator can appoint rent directors for these areas and can establish maximum rents under Federal control.

Securing personnel and setting up local rent control offices for every area requires time and much detailed work. But by December 1, 1942 (just 6 months after maximum rent regulations went into effect in the first districts) 355 areas in which 76 million people live had been surveyed and directors named to enforce rent ceilings.

No tenant in these areas is to pay more rent for his present living quarters than the rent charged on the maximum rent date. It doesn't make any difference if he has signed a lease at a higher rental, the tenant still pays no more. Tenants were saved \$300 million

last year through rent control, the OPA estimates, and for 1943 the savings will increase to \$1 billion.

Rent increases are allowed in a few exceptional circumstances, such as the remodeling or enlarging of quarters. Examples of remodeling for which a rent increase may be allowed are: installing plumbing where there has been none, wiring a house for electricity, adding a bathroom. But normal repairs, repainting, fixing a roof, are not grounds for a rent rise.

Rent ceilings are not unfair to landlords. In peacetime, owners always have some vacancies. Often such vacancies represent a considerable deadwood that landlords must carry as part of their normal operations. Today, however, vacancies are few and, generally, of short duration. Rents, too, are at a higher average than when the war began in 1939 and despite rent ceilings most landlords are netting a larger total income than before the war.

Many owners have not taken advantage of war conditions and have tried to cooperate voluntarily in keeping rents at a fair level. These landlords are often mistakenly lumped with others as "profiteers" or they may find themselves at a competitive disadvantage. For them, rent control is a protection.

More housing

In addition to controlling rents, the Government also is doing its utmost to provide additional housing for war workers, particularly in the most overcrowded areas. On February 24, 1942, President Roosevelt merged the 16 Government housing agencies into a single National Housing Agency so that the job could be pushed with the greatest effectiveness.

The combined efforts of private industry and the Government between July 1, 1940, and October 1, 1942, resulted in the completion of some 500,000 war housing units of all types. Private industry in this period built 355,000 family units, started construction on 76,000 more and had priorities for 111,000 units on which work had not yet begun.

Public housing, meanwhile, accounted for 141,690 completed units. This was divided into 116,169 family units, dormitory accommodations for 15,027 single workers and 152 couples, and 10,342 trailers. Public housing under construction or contract as of October 1, 1942, included 129,086 family units, 21,248 dormitory units, 13,078 dormitory apartments, and 5,471 trailers.

Illustrative of the pressing need for war housing is the fact that between July 1942 and July 1943 at least 1.6 million new workers are expected to move into war production centers.

Because some family groups average more than 1 war worker to a family, this migration will require 1,320,000 living accommodations.

of various sizes and types. Approximately 650,000 of these units are expected to be found in existing structures, 270,000 should be supplied by private builders, and 400,000 by public construction.

Take in a "war guest"

In view of the restrictions imposed on construction, the National Housing Agency is resurveying the entire housing situation in overcrowded areas. The remodeling of homes to make additional housing facilities available is being pushed.

Home registration offices have been set up in more than 300 communities to catalog all available housing and to guide war workers in their search for quarters. Some States and cities are pushing "war guest" campaigns to find living quarters for war workers. Any family with a spare room is urged to rent it to a worker.

This aspect of war housing will grow in importance. In England homeowners are required by law to make empty rooms available at a reasonable rental to war workers. Unoccupied houses have been commandeered. In this country, the National Housing Agency has begun a program of leasing homes for workers. If this and voluntary appeals fail, a compulsory billeting law may become necessary in this country. All homeowners can help by renting out extra rooms at a fair rental.

Rules for landlords

Rent ceilings, like price ceilings, cannot be made to work without the active cooperation of the people, of tenants and landlords. Penalties for violating price ceilings apply also to the rent ceilings. Landlords who persist in violating regulations may be fined \$5,000 or imprisoned for one year. Tenants may sue landlords who do not comply with the law for at least \$50 damages plus lawyers' fees and court costs. OPA rent directors in the various areas can obtain court injunctions preventing a landlord from charging more than maximum rents.

These penalties will be invoked where necessary, but the pattern of enforcement that OPA has developed will rely, in good part, upon the people themselves.

Once a rent director has been named in a particular area and a formal rent ceiling established, all landlords in the area must register with the Area Rent Office a list of all their properties, descriptions of the premises, and rents charged on the maximum rent date.

Landlords must register in triplicate a separate statement for each dwelling unit. The original, printed in blue ink, remains on file in the Area Rent Office. The second copy, printed in green ink, is sent to the tenant to check the landlord's statements. The third copy, printed in red ink, goes back to the landlord, registered by the rent

director. Thereafter, whenever renting to a new tenant, the landlord must show this red-inked copy which gives the maximum rent that can be charged. It is the new tenant's protection against being overcharged.

Curb on evictions

If tenants carry out their part and insist upon seeing these registered statements, the first task in enforcing the rent ceilings will be done and the burden of administration kept to a minimum.

The regulations provide protection against punitive eviction for a tenant who takes action under the Rent Control Act against a landlord. Once the local rent director is appointed, landlords must submit threatened evictions to the rent director except where the cause is failure to pay the rent. Where a rent director has not been named, the tenant can turn to the courts as in normal times.

Under the rent regulations tenants cannot be evicted merely because their leases expire so long as they continue paying their rent.

Some landlords have tried to evade the rent ceilings through phoney sales. Landlords have told tenants that there is a "purchaser" for the house and that the tenants must move or else buy the houses themselves. The monthly installments for such forced purchases generally would be well above rent ceilings. Tenants who refused to be black-jacked into such "purchases" have been evicted and the house turned over to other workers who were willing to enter into a fake purchase contract, paying more rent.

OPA has taken strong action to curb this vicious practice. First, purchasers of dwellings already being rented must make a down payment of one-third the purchase price and this money cannot be borrowed. Second, new owners must give the old tenant at least 3 months to find another dwelling. Landlords still can take over homes for their own use but in such cases only the owners themselves can take possession and they must report to OPA if they rent the house at any time within 6 months.

11. A FAIR SHARE

By keeping prices from skyrocketing, price control goes a long way toward guaranteeing everyone an equitable share of the limited supplies of consumer goods that are available. But something else is also needed—the rationing of essentials that are scarce. There must be rationing of these essentials, the President has said, “so that they may be distributed fairly among consumers and not merely in accordance with financial ability to pay high prices for them.”

Rationing is something new to the United States and many people probably do not understand it completely. The last few years have taught us a few things. When the war broke out, most Americans thought of rationing as a sign of weakness. The fact that the Nazis were rationing some commodities before they invaded Poland was hopefully interpreted as an indication that Germany's economy was shaky. Again, when in January 1940 Japan began rationing food, many Americans leaped to the conclusion that the war in China had sapped her internal strength so dangerously that Japan would not hazard a war with us.

We have seen, though, that far from being a reflection of weakness, rationing may prove a source of strength. By restricting the use of commodities, rationing can be employed to husband resources and build up stocks for use in an emergency. Such stocks free manpower, ships, and railroad trains for other uses. They make it easier to plan war production and military offensives.

British experience with rationing has proved satisfactory. At the outset of the war most Englishmen were inclined to dread rationing. It soon developed that to rely on the uncontrolled distribution of many commodities meant grave injustices for millions of consumers. At times there was an abundance of a particular article, at other times a severe scarcity. There were runs on scarce commodities and hoarders benefited at the expense of the more patriotic citizens.

With the institution of rationing, supplies of goods in the shops were steadied and all persons received their fair share. At the start of the war, workers were inclined to oppose rationing. Soon English workers were demanding that more and more goods be rationed.

For many of the poorer British people, rationing has meant some improvement in dietary standards. Many slim children, for example, have been getting more milk than in peacetime—at least half

a pint a day. That is another great thing about rationing—the Colonel's Lady and Jndy O'Grady become sisters under the ration. A large income puts no more sugar coupons in the ration book than does the factory worker's wage. Queen Elizabeth, just like any other British woman, has had to fit out her wardrobe on the basis of 60 coupons each 14 months.

Another sidelight on rationing was given by Bob Trout of the Columbia Broadcasting System in a broadcast from London on July 24, 1942. Said Mr. Trout:

"Most Americans have a great deal to learn about rationing . . . I imagine you think of rationing as a kind of enforced shortage. You think of gasoline and sugar and naturally assume that rationing means getting less or going without. But it does not always work that way.

"You've heard that chocolate candy will be rationed in Britain starting next Sunday. Here's what chocolate rationing means to me, an American in Britain . . . Food, as most Americans think of food, is not plentiful. A piece of chocolate would definitely help but not once since last November have I been able to buy any. Not a crumb. Sunday, rationing will start. I've already received my candy coupons. They guarantee me 2 ounces of chocolate a week just like everybody else, Member of Parliament, housewife, or bus conductor.

"So rationing means that as long as rationing lasts, and as long as I want to buy, I'm guaranteed a steady supply of the rationed article on the basis of equity. As every British housewife knows, when you present your coupons, the butcher has to have the meat."

The first effect of the chocolate rationing was to put an end to the long queues that had formed regularly before the candy shops.

Pooling of resources is an old American custom. The first settlers in this country pooled their supplies; on the frontier, when the pioneers fought off the Indians, they shared everything in their stockades and covered wagons—ammunition, food, clothing.

Rationing creates problems

The disadvantages of rationing lie in the great tasks of administration that it creates. In a nation the size of the United States, and with our huge population, it is no simple matter to devise a formula which will be just to all.

It may be all right for the housewife in New York to buy her sugar every other week but miners in Arizona come to town only once a month and sometimes not that often. One kind of clothing is worn in the South, another in the West, still another in the North. Different methods of rationing have to be used for different commodities.

The task of administration being what it is, things certainly will not be rationed just for the sake of rationing. It is the responsibility of the people to cooperate so there will be as little rationing as possible. With the large inventories of consumer goods that we have

on hand, wisdom and restraint in buying can defer many scarcities. Ingenuity in the use of things can stave off other shortages.

In normal times most businesses work with a 3 months' inventory on hand. Should all businesses suddenly attempt to stock inventories great enough for 6 months, some might be unable to get the supplies they need. Similarly with consumers—if housewives suddenly buy two, three, and four times as much of things as they really need, there may not be enough for other people, and rationing is the inevitable result.

It is like starting a "run" on a bank. No matter how sound the bank, if everyone tries to draw out his or her money, the bank has to close. Coffee rationing was hastened by just such a "run." Let's not go in for "runs" on any commodities.

When rationing becomes necessary so that all of us may share equally in the supplies of some essentials, the Government will not hesitate to move. The regulations will be drawn to penalize persons who have been hoarding the commodity. When sugar rationing books were distributed, for example, everyone had to take an oath on the amount of sugar he or she had at home. Those with more than 2 pounds of sugar had a proportionate number of stamps taken from their books.

As soldiers on the home front we must learn to take our rationing orders without advance warning. Talk or speculation about the rationing of some specific commodity tempts people to stock up on that commodity, which aggravates the scarcities that already exist and may even cause unnecessary shortages. We must expect rationing of some commodities on overnight notice.

Methods of rationing

There are several different types of rationing. Some commodities are so scarce and their use so limited that they must be rationed only to the comparatively few people who need them most. Bicycles and new automobiles are examples.

Then there are commodities which everyone uses and rationing sees to it that everyone gets a share of the supply. Sugar is an example.

In a third type of rationing a number of related items are grouped together into what is known as a point system and people are allowed to choose among these items as long as they do not exceed the number of points allotted them.

The British, for example, have a point system for clothing. Each adult receives 60 coupons to be used over a period of 14 months. Various items of clothing are "priced" in terms of coupons: a winter suit is 24 coupons, a heavy overcoat 18 coupons, a pair of men's shoes

Point Rationing Allows Free Choice

The fruits and vegetables people eat vary widely according to the section of the country, the season of the year, group preferences, incomes, and personal tastes.

Mustard greens are popular in Texas, almost unknown elsewhere. The South likes its hominy; New England its baked beans. To ration mustard greens in New Hampshire, or baked beans in Florida, would be somewhat meaningless.

Again, many canned foods are seasonal. Cranberry sauce goes with winter holiday turkey. People like canned corn in January better than in June. To ration such goods equally throughout the year would run against national tastes.

There is a way to get around all these difficulties of seasonal demands and personal tastes. It is the plan known as point rationing, under which each person is allotted a specific number of points to be used each month. Every processed fruit and vegetable is valued in terms of these points. Within her points budget, the housewife shops among the many different processed fruits and vegetables, selecting exactly what she wants. She can use her points to choose between dried and stewed fruits, between canned and frozen vegetables, between soups and fruit juices, between one fruit juice and another. The same choice applies to sections. Southerners can give up their points for hominy, leaving baked beans for New Englanders.

The points system thus gives every person an equal share of the total supply of processed fruits and vegetables, and at the same time permits the freest play for consumer preferences.

7 coupons. In 2 years a woman could buy a coat, a woolen dress, a jacket, a skirt, a blouse, 2 pairs of knickers, a brassiere, a smock, 3 pairs of shoes, 10 pairs of stockings, a pair of socks. A man, with two years of coupons, could buy an overcoat, jacket, pair of trousers, a sweater, a pair of overalls, 3 shirts, 2 pairs of shorts, 7 pairs of socks, 3 pairs of shoes, a pair of gloves, 4 handkerchiefs. If a person were lucky enough not to need an overcoat, he or she would be able to buy more of other things.

Point rationing is used to cover groups of related articles which are interchangeable. It will be applied in this country first to processed fruits and vegetables and then to meats.

Our first year of war brought the rationing of ten individual commodities: tires and tubes, automobiles, sugar, typewriters, bicycles, gasoline, fuel oil in the East and Middle West, rubber boots and shoes, coffee, and farm machinery. Since December 7, 1942, shoes and heating (not cooking) stoves have been added, with meats and processed foods to be started soon.

Rationing rubber

The shortage that is causing the greatest change in our daily lives is rubber. A strict rationing of new tires was begun soon after Japan's attack. All drivers were asked to cut out pleasure driving, to observe a 40-mile speed limit, to take special care of their tires, and to pool their cars for driving to work and to market. The response to this appeal for voluntary curtailment of driving was not good enough.

On August 6, 1942, the President named Bernard M. Baruch, Dr. James B. Conant, and Dr. Karl T. Compton to investigate the rubber situation. Five weeks later, the Committee reported to the President:

"We find the existing situation to be so dangerous that unless corrective measures are taken immediately this country will face both a military and a civilian collapse."

The facts in the Baruch report were clear enough:

Japan's conquest of the Far East cut us off from more than 90 percent of our normal supply of rubber.

As of July 1, 1942, our stockpile of crude natural rubber consisted of 578,000 tons.

Military and other essential demands—with no provision for tires for passenger automobiles—were given as 842,000 tons between July 1, 1942, and January 1, 1944.

In that period likely imports of new crude rubber were put at 53,000 tons.

This left a deficit to be met by the production of synthetic rubber before January 1, 1944, of 211,000 tons.

Synthetics—but when?

To produce that much synthetic rubber requires the creation of an entirely new industry on an unprecedented scale in the short space of 2 years, a tremendously complicated industrial and chemical feat. Germany, which has been producing synthetic rubber since 1883, has been able to develop an annual production capacity of only about 100,000 tons. While there is no question that ultimately we will produce all the synthetic rubber that we need for our armed forces and essential civilian requirements, there is the greatest uncertainty as to the time it will take to do this.

Under the schedules laid down for the Government's program, it was estimated more than 400,000 tons of synthetic rubber could be produced in 1943. These schedules were possible, the Baruch Committee warned, if there were no undue delays in constructing the plants or in overcoming the technical difficulties of bringing these plants to full production or in overcoming the problems of compounding the rubber that is produced. A delay of only 4 months in meeting these difficulties

would mean that there would not be enough rubber in the last quarter of 1943 for our military needs.

This margin of time becomes even slimmer when we remember that as long as natural rubber is needed to mix with synthetic for many purposes, we do not dare cut too deeply into existing stocks of crude rubber and that inventories of about 120,000 tons of rubber must be kept on hand in this country, Canada, and Britain to insure continued production. In other words, synthetic rubber must come into large-scale production some months before our stocks of crude rubber have dwindled to the danger point.

Rationing necessary

In view of this critical situation the Baruch Committee recommended an expanded synthetic rubber program and the strictest conservation of the rubber we have. By far our largest stockpile of rubber is on the Nation's automobiles—about a million tons of it. To save this rubber, the Baruch Committee recommended this program of rubber rationing:

1. A reduction of the average mileage of vehicles not to exceed 5,000 miles a year by the nationwide rationing of gasoline.
2. Enlargement of the present tire replacement program to provide sufficient recaps and new tires to maintain this minimum of essential driving, and to prolong to the utmost the useful life of tires now on the road.
3. A nationwide speed limit not exceeding 35 miles an hour.
4. Compulsory periodic tire inspection.

To eliminate misunderstanding a few points about this program ought to be emphasized.

1. It is not simply a program of restrictions. While curtailing the use of rubber, considerably more rubber is made available for civilian driving so that the minimum of driving vital to our war effort will be maintained.

The Baruch Committee found that tires on civilian cars were wearing down at a rate eight times greater than they were being replaced. If this rate had continued, by far the larger number of cars would have been forced off the road in 1943, and in 1944 there would have been an all but complete collapse of the Nation's automobiles. To prevent such a catastrophe the Committee searched every possible means for furnishing additional rubber for civilians. It found that enough rubber could be made available to maintain the average of civilian driving at about 5,000 miles a year.

Cars were being driven at an average of roughly 6,700 miles a year. This in itself was a reduction from the normal pre-war

average of 9,000 miles. In good measure this voluntary conservation on the part of motorists reflected a fear of being unable to get new tires when present tires wore out. If an expanded tire replacement program was announced, voluntary conservation might disappear and the mileage would shoot up. Thus, to be able to guarantee an average of 5,000 miles for necessary civilian driving, there had to be a strict control over all rubber mileage. The only sure restriction was through the nationwide rationing of the use of gasoline.

That less drastic measures of tire conservation could not hope to do the job was emphasized by the Baruch Committee:

"It also should be stated that, in the Committee's judgment, even this indicated curtailment of driving will be insufficient to meet the situation unless there is an intensification of such conservation measures as car pooling and sharing of rides, and the purchase by the Government of extra tires and spares from persons who do not need them for resale to war workers, farmers, and others who do need them."

2. As the Committee made clear, gasoline is not being restricted to save gasoline (except in the Eastern States) but to save rubber. No effective program of rubber conservation is possible without radically restricting driving.

3. This does not mean that every citizen is given the right to drive 5,000 miles. This figure is an average, which means that less essential drivers must get along with considerably less mileage to permit a greater mileage for the more essential drivers.

4. Increased collection of scrap rubber is no alternative to rubber rationing. It is true that not all of the scrap rubber in the United States has been collected. However, the amount of scrap rubber that can be utilized depends on our facilities for reclaiming that rubber. At the time the committee reported, the annual capacity of the entire reclaiming industry ran to 350,000 tons, and the industry had not been operating at that level. The amount of scrap rubber *already collected* is sufficient to operate the entire industry at capacity for more than a year. The Baruch Committee recommended not only that existing facilities be stepped up to capacity but that they be expanded by 20 percent. With this expansion, it will be possible to use more scrap rubber. Until then merely to collect the rubber is to accumulate it in unnecessary piles which are serious fire and sabotage hazards.

5. Nor is there any process for making synthetic rubber that can offset the need for mileage rationing. The Baruch Committee found that every one of the synthetic rubber processes in the Government program is technically sound and ultimately will work. The Com-

mittee warned, however, that possible delays in completion of the Government's program might leave us without an adequate supply of rubber for military needs. The issue of success or failure of the program will be decided in the critical year of 1943.

The program of rationing

Nationwide gasoline rationing to save rubber went into effect December 1, 1942.

Rather than devise an entirely new program of mileage rationing, it was felt wiser to take the system already in force in the East, extend it on a nationwide scale, and adapt it to the varying needs of the rest of the country.

Under this system every motorist who registers automatically receives an A ration book. This basic ration book contains coupons which originally were worth 4 gallons of gasoline each, making it possible to drive 2,880 miles annually. Of this amount, 1,800 miles are intended for business use. In the 17 Eastern States the value of the coupons has been cut because of the fuel and gasoline shortage.

Motorists who feel that this basic ration does not meet their essential needs may apply for a supplemental ration. These applications are examined by local War Price and Rationing Boards who are assisted by transportation experts wherever possible. Businesses or factories with more than 100 employees are to have their own transportation committee to check applications.

To get extra rations, the driver must prove that he has done everything possible to cut the use of his automobile. He must furnish evidence that he is a member of a "car club" for pooling rides or that he cannot become a member of such a club. He must also show that he cannot be served by public busses and streetcars.

Supplemental rations are of two kinds: a B ration which, combined with the A book, permits up to 470 miles a month for occupational driving; and the C book which provides more than 470 miles a month. In the 17 Eastern States the amount of the B ration is somewhat lower. The petroleum shortage in the East has also forced a ban on pleasure driving.

Tires must be inspected

All motorists must observe three rules of tire conservation:

1. Tires must be inspected periodically. Without proof of such inspection, gasoline ration books will not be renewed; nor will such drivers be eligible for new tires.
2. No motorist may have more than five tires for a car. In applying for a ration book, the motorist must list the serial num-

bers of his or her tires and certify that he or she has no more than five. Extra tires are being bought by the Government for redistribution to those drivers who need them.

3. Motorists convicted of speeding may lose their rations or have these rations reduced.

All owners of passenger cars who have mileage rationing books are eligible to apply to their local War Price and Rationing Board for tire replacements. Recapping is also available where it is needed to extend the life of the tire.

Nationwide rationing of gasoline has introduced millions of Americans for the first time to the annoyances of wartime living. "Discomfort or defeat" was the choice laid down before us by the Baruch Committee. As Rubber Director William Jeffers put it:

"Gas rationing . . . is simply a means to an end; namely, conservation of rubber. It is really rubber rationing, except in the East, where it is both rubber and gas rationing."

The 35-mile-an-hour speed limit will not only make tires last longer, but will also give motorists more miles per gallon of gasoline, and reduce accidents.

The home fires

The winter of 1942-43 introduced fuel-oil rationing to 30 States of the East and Middle West. It was made necessary for the same reasons that gasoline rationing was instituted in the East last May. As everyone knows there is enough petroleum in the United States. The lack is transportation. Normally 93 percent of the petroleum used in the Eastern States was brought by tankers. These tankers have been diverted to the fighting fronts. Oil must now come overland and transportation facilities are limited.

Normal peacetime overland deliveries of oil by tank cars, barges, and pipe lines have been stepped up as much as possible. In 1941 deliveries in 17 Eastern States and the District of Columbia averaged about 50,000 barrels a day; in December 1942, they were over a million barrels a day! At the request of the Government the railroads diverted 70,000 of the nation's 112,000 tank cars to oil deliveries.

Since May 1942 the Government sought by every means, including the rationing of gasoline, to cut down the use of fuel oil in the East so as to build up stocks for the winter.

Despite these efforts the serious shortage of fuel oil in the East and in the Mid-West has grown more acute. Our North African offensive this winter drained the East of the stocks that had been built up.

To share available fuel oil equitably, a combined rationing and conservation plan has been inaugurated. The rationing is compulsory; the conservation is voluntary. We must look upon both as compulsory if serious hardship and illness are to be avoided and if our war industries are to continue operating at capacity this crucial winter.

How rationing of fuel works

There has been some criticism of the method of fuel-oil rationing but there is no easy formula for rationing fuel oil in 30 States from North Dakota to Florida. These 30 States have been divided into four "heat zones," based on Weather Bureau reports of the past 45 years. Besides the zones, the oil ration an individual householder gets depends upon the floor area of his house in square feet—excluding the attic and cellar; the amount of oil used for heating last winter (this information can usually be supplied by your dealer); and the number of persons living in the house, particularly small children and invalids.

On the basis of all these factors, the Rationing Board figures out a ration which should assure a healthful temperature, provided the family is not wasteful.

Here are several practical hints on how to make the most of every drop of oil that is rationed to you. In the past Americans wasted oil at the rate of 19 million barrels a year. A little care by each of us can save that oil.

1. Make homes more heat-tight—by weatherstripping windows and doors, putting up storm windows and doors, insulating walls and ceilings. These things cost money, but they are a good investment in health and the expense is partly offset by fuel savings.

2. Put oil burners in first-class condition so that they will work at top efficiency without waste.

3. Do the hundred and one small things that save fuel, such as closing up rooms not in use; turning off radiators; keeping windows shut and shades drawn as much as possible; turning thermostats down at night; dressing more warmly; using open fireplaces in the fall and spring to shorten the oil heating season.

People naturally want to know how much oil they may expect under rationing. This cannot be told in advance because of two uncertainties, the supply of oil in the rationed area and the severity of the winter.

Our transportation system is working around the clock to deliver oil, but some deliveries may be held up unavoidably. If the winter

is unusually cold, a greater supply of fuel will be needed. Military needs are increasing almost daily. The completion of new pipe lines is being pressed. No effort is being spared to protect the people's health, for there is no greater asset in a nation at war.

Will we suffer serious discomfort? That question could be answered, "We will certainly have some discomfort, but how much depends largely on ourselves." If everyone cooperates fully in the rationing and takes care not to waste fuel we shall come through the winter in good shape.

Leveling the sugar bowl

Before the war, almost one-third of the sugar we used came from the Philippines and Hawaii; another two-fifths from Cuba and Puerto Rico, now submarine-picketed. Many of the ships that carried sugar from Hawaii—and from Cuba and Puerto Rico—have been diverted to the job of supplying our soldiers and those of the United Nations in North Africa, Iceland, Greenland, Australia, India, Russia, and Great Britain.

Reports have been circulated of huge stocks of sugar on hand in the United States; there has been talk about sugar rationing "not being necessary." The facts, however, are very different.

As of July 1, 1942, stocks of sugar in the hands of refiners, beet processors, and importers amounted to 1,654,000 short tons. This compares with 1,968,000 tons as of July 1, 1941.

Individual warehouses may have bulged temporarily. In normal times sugar comes into this country at a number of ports, along both the Atlantic Seaboard and the Gulf. Since the sugar has all been coming in through the Gulf ports, its distribution sometimes is delayed.

Those who criticized the rationing of sugar overlooked another point. Before rationing was instituted, reports of the scarcity caused widespread hoarding of sugar. Stores were unable to fill the legitimate demands of their customers. With rationing, this excessive buying stopped. Had rationing not been instituted, hoarding most likely would have spread and the supply been even more unfairly distributed.

The basic ration has been 8 ounces a week. Other sweets are available in various forms. This is more sugar than any other people at war enjoy.

Eight ounces is the equivalent of 227 grams. In Italy the adult ration is 125 grams; Japan 170 grams; Russia from 65 to 198 grams depending on how heavy one's work is; in Germany 225 grams; Greece 56 grams but actually obtainable only at black markets. The British can buy 8 ounces of sugar a week, but pastry, soft drinks, ice cream, and many other sweets are almost unobtainable.

In addition to our basic allowance of 8 ounces of sugar per person, adequate provision has been made for home canning. The more fruit canned at home the better. Housewives, farmers, all persons doing canning may apply to their local rationing boards for supplementary allowances of sugar. As a general rule, 1 pound of sugar is allowed for every 4 quarts of fruit being canned.

The sugar available to Americans is more than enough to keep up health and energy. All that rationing does is cut down excessive uses.

The rationing of sugar will save more than 1.5 million tons of sugar this year. If we figure all of this sugar as coming from Cuba, 12 freighters would be kept busy all year round carrying this 1.5 million tons. Liberty ships such as we now are building cost \$4.8 million each, require 3,400 tons of steel, and 600,000 man-hours of labor.

As a sideline benefit, in buying less sugar people will save nearly \$200 million.

Put into War Stamps and War Bonds, this money would buy battle-ships, aircraft carriers, medium tanks, light tanks, and Flying Fortresses. A good rule is to invest in War Bonds and Stamps the money rationing saves for you.

No second cup

It had been hoped that coffee rationing would not be necessary. Lack of shipping and the needs of our fighting men had cut down the supply for civilian use but enough coffee still was available to meet all essential needs if people had bought carefully and not used coffee wastefully. Unfortunately, shortsighted persons started a "run" on coffee. Store shelves were denuded. To see that everyone got a fair share, rationing was ordered.

The sugar ration book is being used for coffee as well. The stamps at the back of the book are used, the last stamp going first. Under the ration each person over 15 years old is allowed a pound of coffee every few weeks, depending on the available supply.

Our neighbors, the Canadians, who are more of a tea-drinking and less of a coffee-drinking people, have been strictly rationed since last August at the rate of 4 ounces of coffee a week *or* 1 ounce of tea a week.

No new autos

Sugar and coffee are shared by all persons. Automobiles, bicycles, and typewriters go only to the few people who need them most.

Early in 1942 the production of new passenger automobiles was halted. To produce automobiles requires huge quantities of the

most critical war materials. As the greatest mass-production industry in the world, the automobile industry could turn out tremendous quantities of munitions. It had several hundred thousand skilled workers; some of the best mass-production engineers and mechanics in the world; gigantic factories, thousands of machine tools, huge machine shops. All of this had to be mobilized for war. The aircraft engines, tanks, and machine guns which this mighty equipment is supplying to our armed forces are reasons enough for not having any more new automobiles.

With automobile production halted, there was danger of a wild scramble for the cars that were left. Wise use of the new cars already built could stretch them out for several years. If nothing had been done the stocks would have been quickly exhausted. Nor was there any guarantee that persons who really needed new automobiles would have got them.

Quotas have been set in every county and State and an "eligibility list" drawn up of persons entitled to new cars. Such persons apply to their local rationing boards. If their need is justified, they get a certificate for purchase.

The rationing of automobiles started a bicycle-buying wave. To avoid their being gobbled up, stocks are being rationed under regulations providing bicycles for those who need them most. Some thousands of bicycles have been released to war plants for messenger service or for the transportation of workers. Individuals can get bicycles by proving they need them, if they work at odd hours or if their normal means of transportation are overcrowded.

Typewriters are weapons

With typewriters, rationing is restricted to persons who can prove a typewriter essential for their business. A good portion of available typewriters are needed for war—by the Government, by the armed forces, by businesses handling war contracts. These needs must be filled first. We are not producing all the typewriters that could be used because we prefer to have machine guns, anti-tank guns, anti-aircraft guns. Typewriter manufacturers are excellent gunmakers. Prohibition racketeers advisedly called their tommy guns "typewriters."

"Repair and share"

Another, more literal, instance of ploughshares being beaten into swords is the farm machinery industry. To save on critical steel and to enable manufacturers to convert their plants to turning out tanks, gun carriages, and other war items, the production of farm machinery was cut down to 23 percent of the 1940 level. So that the machines

being produced would go where they were most needed, rationing was instituted.

The rationing covers 18 types of farm machines. It is administered by Farm Rationing Committees for each county, composed of the chairman of the County War Board plus two farmers chosen by the board.

Farmers wanting new machinery must prove that they do not have old machines which could be repaired and brought back into use. To encourage repairs, the War Production Board has permitted the production of new repair parts up to 137 percent of 1940. The farmer's slogan has become, "Repair it and share it."

An ever-increasing number of farm equipment cooperatives are springing up. This yields a double saving. The total costs of the equipment are shared and more use is got out of each piece of equipment. Most farm machinery doesn't wear out through use; it rusts.

We will not go hungry

As with sugar and coffee, everyone must share the available supply of meats. Although the 1942 meat output was the largest on record—around 22 billion pounds—it was not enough to meet both our military and allied needs and still allow civilians to buy all they wanted. Army, Navy, and Lend-Lease requirements took about 4 billion pounds, leaving 18 billion for civilian consumption.

Agricultural production goals for 1943 call for an increase of about 3.7 billion pounds in the output of meats; but the increase (and more) will be needed for military and Lend-Lease requirements, leaving somewhat less for civilians than they had in 1942. This is more than 3½ billion pounds short of what consumers would like to buy with their present incomes, but it will still be more than the average consumption per year between 1931 and 1940. Clearly we will not go hungry for meat.

Faced with this problem the Food Requirements Committee of the War Production Board did two things: it restricted deliveries of meat to retail outlets after October 1, 1942, so that military and Lend-Lease needs would be assured, and it asked the OPA to ration meat to consumers as soon as possible. Meat rationing is scheduled to begin this spring. Meanwhile we are asked to ration ourselves voluntarily to conserve meat supplies.

The voluntary ration is 2½ pounds of meat a week for every person over 12, 1½ pounds for children between 6 and 12, and three-quarters of a pound a week for children under 6. This includes all the meat you eat—at home, in restaurants, schools, or at the homes of friends.

Ration Banking

A new kind of banking that has nothing to do with money will soon be in operation all over the country.

The scheme is known as ration banking and is designed to give all businessmen a simple workable means of keeping up with their buying and selling under rationing. Borrowed from England, where the plan worked most successfully, it was tested in Albany, Schenectady, and Troy, N. Y., and is now being extended to the 18,000 banks throughout the country.

Under the plan all dealers open up a ration checking account with their local bank. Into this checking account the dealer deposits regularly not money but the ration coupons that he receives for selling rationed articles. When the dealer wants to buy fresh goods to replenish what he has sold, he draws a check on his bank balance of ration coupons. The supplier who receives the check deposits it in turn into his ration bank account and it is cleared just as a money check is. The great advantage of the system is that it does away with the complicated and time-consuming practice of bundling up ration coupons and passing them along from retailer to distributor to wholesaler to manufacturer, each person receiving the coupons having to count and sort them, etc.

In addition to the ration checks, of course, dealers will have to pay for their goods in money.

Only businessmen are directly affected by the scheme—the average person does not have to set up a ration banking account.

At the start, accounts will be set up for only a few of the rationed commodities.

Other countries have less

As we adapt ourselves to our voluntary meat ration, we might reflect on other people's rations. The British people for 2 years have had a meat ration of 24 cents' worth a week, plus 4 ounces of bacon. How much meat this amounts to varies naturally with the cut and quality bought. While we can supplement our diet with a variety of other nourishing foods, the British cannot. Fish in England is 70 percent below the prewar level; eggs are rationed at one a month; poultry is scarce and expensive.

Edward R. Murrow told in a broadcast from London of asking a Cockney what he would do if he had a ration of two and a half pounds of meat: "Two and a half pounds," replied the Cockney, "I'd open a restaurant."

Germany, by stealing food from the occupied countries, has managed to ration meat at 12½ ounces a week. Italians get from 5 to 7 ounces weekly; Norwegians are theoretically allowed 7.1 ounces a week, but they can rarely find it on the market.

War Ration Book 2 will be used for canned or bottled fruits, vegetables, soups, and juices; frozen fruits and vegetables; and dried fruits. The book is also designed so it can be used for the rationing of meat as well. Three other all-purpose ration books are to be printed. With these books, it will be possible to ration things without advance notice.

Use less than your ration

All of us should try to get along with less than our full rations. Motorists should try to get along with less than their full ration of gasoline. Many persons never used 8 ounces of sugar a week.

The time has come for all of us systematically to reorganize our daily living so as to do without whatever we can. The ways of doing without are legion, limited only by our ingenuity. Here are a few:

Stirring the sugar in one's cup more vigorously; serving fresh fruits or dried fruits in place of desserts that require a lot of sugar. Measuring one's coffee and tea instead of guessing; cutting out tea parties.

Saving lipstick holders, powder and rouge boxes, hairpins and bobby pins. Cleaning, mending, and altering old clothes. Carrying packages home instead of having them delivered.

In many rural areas, dairy and poultry farmers have pitched in to save tires, gas, and time by combining pickup services and by staggering routes. One Oregon farmer hauls milk and eggs for five or six neighbors on each trip. Many farmers, before going to town, give a "general ring" over the party line to learn what they can bring back for their neighbors.

In Kingsbury County, South Dakota, farmers started an informal Transportation Association through which they expect to cut their mileage in hauling farm produce and livestock by 70 percent. All trucks must be fully loaded; by pooling loads, extra trips to market are being eliminated.

Neighbors, not executioners

We can count on the overwhelming majority of Americans to do what is expected of them. We also can figure on a small minority who will try to beat the rationing regulations—motorists with backfire standards of patriotism, sugar-greedy housewives. Rationing violators help the enemy.

It is the duty of every citizen not to deal with commodity bootleggers. It is the responsibility of every citizen to report persons who thus chisel on the lives of our soldiers and sailors.

This goes pretty deep. We are engaged in a life-and-death struggle so that democracy and freedom will triumph over dictatorship and

brutality. In Germany, virtually everything is rationed and death has been the penalty for violation. Threats, fears, whips, revolvers, secret police—that is the Nazi Government. In the United States, as free men, we consider it a privilege to make whatever self-denials are necessary to win the war. We do not rely on a Gestapo to enforce these self-denials. Instead, in our communities we establish War Price and Rationing Boards, run by our own neighbors. We give these boards a set of principles as a guide and let them decide who is to get the rubber tires, the automobiles, the typewriters we have to share.

Members of these local rationing boards are unpaid volunteer workers. One board in Texas built its own filing equipment; another in New England bought its cabinets and supplies.

Each board has at least three members. In turn, they can call upon other citizens for assistance. The Office of Price Administration requires board members to be "fair-minded citizens who have the respect of their neighbors and are of known integrity." The total membership of each board must be such "as to represent the community as a whole." They cannot all be from the same political party, sex, religious faith, or other special group. In general, the boards include members from labor and, where appropriate, farmers. No member who is financially interested in a particular commodity can take part in the board's rulings on that commodity.

With the pressure of price control and rationing growing steadily, paid secretaries or clerks are being named to the busiest boards. A system of "panels" to deal with specialized commodities is being worked out. For example, one panel of three members may specialize in automobile and tire rationing; another panel of three may deal with price ceilings.

Each board member knows that he or she has a trust, a solemn pact with those fighting for the liberties and happiness of all of us. All of us bear the same trust. It is not to violate rationing or other war regulations, not to help others violate them.

The self-denials that are asked of us are a small price to pay for freedom.

Take Care of Your Ration Book!

Keep a record of the number of your ration book. If you lose a book, find out from your local board how you can replace it. Requirements vary in different regions, so ask your ration board. Your board will want to know the facts of your loss. How did you lose your book? When? Where? Have you taken steps to recover it? Be ready to swear to a statement of these facts.

12. STABILIZING WAGES

As part of the embracing controls put into effect under the President's Executive Order of October 3, 1942, a ceiling was placed on all wages. Generally speaking, from now on, basic wage rates are not to be raised from the levels existing on September 15, 1942—the same basic date on which agricultural price ceilings have been fixed.

While wages in general are thus stabilized, adjustments still are permitted to correct maladjustments, inequalities, and gross inequities, to eliminate substandards of living, and to aid in the effective prosecution of the war. Workers still can be promoted to better jobs. They continue to be paid time and a half overtime. Otherwise, as President Roosevelt said, weekly pay envelopes would be reduced.

Responsibility for passing on wage adjustments has been entrusted to the National War Labor Board, which is composed of an equal number of representatives from labor, industry, and the public. All workers in all industries come under the Board's jurisdiction.

Where any wage increase threatens an established price ceiling, however, it must be approved by the Director of Economic Stabilization. Director Byrnes has also asked the War Labor Board to consult with him before approving any general wage increase that would change wage policies. This relationship of the War Labor Board and the Office of Economic Stabilization should not be overlooked.

The War Labor Board, of course, is symbolic of the democratic way of settling wartime labor problems—by agreement, around a table, with full play given to labor's traditional rights to bargain collectively. The Office of Economic Stabilization is the symbol of the stern mobilization on the home front that war requires. In our national wage policy we have managed to harmonize the two.

The solution has been found in a kind of "home rule" under which labor undertakes its own self-disciplining, recognizing that it is bound by higher policy. There has been no rigid freezing of wages, which like all strait-jacket devices would stir its own rebellions. Workers at the bottom of the scale can be lifted; normal advancement is kept open; injustices and inequalities can be corrected, with the agency of Government on which labor is fully represented doing the adjusting.

So long as it is a matter of wages alone, the Board has full authority. Where a wage increase threatens economic stabilization, it becomes a question whether higher wages will promote production, and whether that outweighs the threat to holding living costs firm. Such cases must be brought in line with the over-all national policy represented in the Office of Economic Stabilization.

Labor, along with agriculture and management, has a voice on the Economic Stabilization Board that advises and consults with Director Byrnes. The War Manpower Commission is represented on the Board along with the Department of Labor and the National War Labor Board. And as labor members of this Board, President Roosevelt appointed William Green and Philip Murray, presidents of the A. F. of L. and the C. I. O.

In itself, the fact that our traditional way of settling wage disputes by collective bargaining has been integrated with our war needs is a tribute to the strength of stabilization by agreement rather than by crack-down. But it also imposes on labor the great responsibility of cooperating to perfect this machinery and to see that the present wage stabilization is not upset by unjustified demands.

Real earnings are high

The level at which a halt has been called to wage increases is not unfair to most of the major groups of workers. Hourly earnings in manufacturing industries on the average have increased more rapidly than have living costs since January 1941. In considering the effect of rising living costs on wage earners, however, it is the real income of the worker—how much he takes home in his pay envelope—that counts, not mere wage rates.

Since January 1941, average weekly earnings of all factory workers have increased 49 percent. Figured since September 1939, the increase is 66 percent.

These fatter envelopes, of course, are the result of workers being employed more continuously, of a longer normal working week, of upgrading, and of overtime pay. The President's Executive Order requiring all industries to go on a minimum 48-hour week will mean overtime work and pay for a considerable number of workers. These additions to the wage bill will be made up in increased production and the release of manpower for the armed forces, for war plants, and for farms.

Some of this gain in weekly earnings has been offset by the increase in living costs. But even after these higher living costs are considered, the actual *purchasing power* of the average factory worker is still more than a third higher than it was in September 1939.

Many families are even better off than that. With millions more persons employed, two and three pay envelopes are coming into the home now where only one did before.

What these figures show is that the real earnings of American workers and their families are at the highest point in history. As Director Byrnes said:

"If we preserve and protect this purchasing power, it will constitute the basis of an unparalleled prosperity for American workers in the post-war period.

"Rising prices will, on the other hand, destroy this purchasing power. A frantic race between rising wages and rising prices, far from helping labor, will only ruin and degrade the worker and his family, depriving them of all the gains they have so painfully built up over the years."

Why wage stabilization is needed

Rising wages affect living costs in two ways.

First, wages are an important element of cost in the manufacture and distribution of articles; for some things it is the most important single element of cost. If wages are permitted to rise, it becomes more difficult to hold the price ceilings and our defenses against the threat of rising living costs are weakened.

More Workers—Fewer Strikes

The percentage of time lost in war industry strikes during the first 10 months after Pearl Harbor never rose above one-tenth of 1 percent of the number of man-days worked.

Toward the end of our first year at war the number of workers employed in all industry was 6,000,000 more than in 1937. Despite this increased working force, the man-days of idleness due to strikes during the first 10 months of 1942 were little more than a quarter of the average of the last 5 years of peace.

Second, the money that workers get in wage increases swells the already swollen stream of spending power, while the quantity of civilian goods is shrinking. Prices can be pictured as a balloon and spending power as the gas that inflates the balloon. The more gas in the balloon the more difficult it becomes to hold it on the ground. It does no good to draw off some of the gas on one side, through taxation, investments in War Bonds, or the repayment of debts if, on the other side, more gas is poured in through higher wages and higher farm incomes.

It is worth stressing here what is meant by "excess" spending power. It is not what is left after we have bought everything we want. To produce the huge quantities of munitions needed to win the war, none of us can have all that he wants. All of us must reduce our living standards to essentials. Excess spending is spending in excess of essentials.

The dollars left after our basic needs are met are the excess dollars which, if not drawn off in taxes or savings, will bid up prices.

Even with wage rates stabilized, the total national wage bill will continue to grow. As war production is stepped up, more men and women will be employed and they will be working longer hours. Too, in order to maintain efficient operations in war plants, older workers will have to be "upgraded" to more important and better-paying positions while green workers come in at the less skilled jobs. We also will want to improve the lot of the lowest paid workers, earning substandard wages.

What about overtime?

There will be some people who will use the fact that total wage payments are bound to increase as an argument for the discontinuance of overtime pay. Let us place the question of overtime in proper focus. Overtime pay should not be confused with the number of hours of work. The 40-hour week does not prevent more than 40 hours a week from being worked; it simply requires overtime pay for hours worked in excess of 40.

The total overtime premium is estimated to be only about 5 percent of total manufacturing pay rolls. This overtime has its compensations in that it is a proven incentive to labor morale and increased efficiency.

Another important point to be noted is that in all war industries basic wage rates have been developed with consideration of the fact that overtime would be paid. If overtime were abolished abruptly, the weekly pay of workers would be cut so drastically that major adjustments in basic wage rates would be unavoidable. Industry's wage structure would be inflated to abnormal levels.

After the war these abnormally high wage rates would remain and many industries would find it impossible to maintain such rates. The task of shifting from war to peace would be made infinitely more difficult if the regular wage structure is scrapped now.

To stabilize wages at record levels, permitting adjustments to correct injustices and to reward merit, cannot be classed as hardship at a time when all of us must reduce our living standards. Some persons may raise the question whether it is "equality of sacrifice." So far as the home front is concerned, the control of wages is only one aspect of the total program. Ceilings have been placed on farm prices. Rent control has been extended. Salaries have been limited not to exceed \$25,000 a year net after the payment of taxes. No more is being asked of workers than of others.

But, of course, it is not "equality of sacrifice" as compared to the soldier, sailor, or marine. That is why President Roosevelt said he

preferred to think of the program to control living costs not as assuring equality of sacrifice but "equality of privilege." We should not be arguing among ourselves as to who should give up something first; we should be competing among ourselves in making our maximum contribution to winning the war.

Wages and manpower

Still another reason why wages must be stabilized for the duration is that we are coming to the critical phase in the mobilization of manpower. If wages were not stabilized, the effective mobilization of manpower would be hampered by a wild competitive bidding up of wages and "pirating" of workers.

In the summer of 1942 about 12.5 men and women were working in war industries. By the end of the year there were around 17.5 million. It is estimated that some 20 million workers will be required by the end of 1943.

Some of those millions can be recruited from the unemployed and from the ranks of persons not now in the labor market, such as women and youths below draft age. But many will be shifted from industries now producing civilian goods.

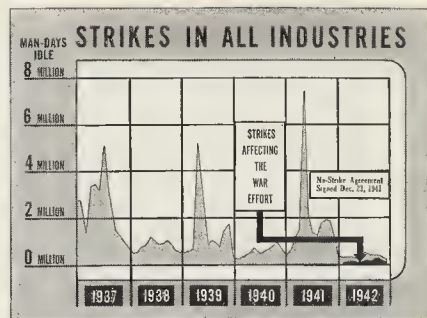
If employers were left free to raise wages as they wished, civilian industries would bid against war industries, particularly for workers in the more scarce skills. The shifting of workers from less essential industries to war work might be sabotaged.

To some extent these labor shortages are artificial. Some employers are "hoarding" skilled workers. Other employers are discriminating against Negro and foreign-born workers, against Jews, Catholics, and other religious groups, against women, against workers who have some physical handicap which has nothing to do with their ability to perform a specific job. Here again we see how total this war is. We are fighting to save democracy and freedom and justice and the dignity of the individual man. When persons in this country violate these principles by unfair discrimination, they hurt the war effort. They help all those forces—like inflation—which imperil us.

The War Labor Board

In the last war a national board to settle labor disputes was not set up until a year after hostilities began. This time we were more foresighted. The National Defense Mediation Board was established in March 1941. This was fortunate, for labor problems are incomparably more complex in this war.

On January 12, 1942, the Mediation Board was replaced by the National War Labor Board. Immediately after Japan's attack on Pearl Harbor, labor and management agreed to forego all strikes and lock-outs and to bring all disputes before the Board. Thus far,



Since Pearl Harbor, man-days of idleness due to strikes (indicated at extreme right) have fallen to one-tenth of 1 percent.

this agreement has worked very well indeed. There has been one strike authorized by a national union and that was called off within 24 hours. The few unauthorized strikes that have flared up have meant a loss of less than one-tenth of 1 percent of the total man-days worked.

On wage stabilization issues, the War Labor Board began by taking up each case on its merits. In the "Little Steel" case it laid down a formula for the race between wages and living costs.

In his speech on February 9, Director Byrnes announced it as the basic wage policy that there should be no general wage increases in excess of the "Little Steel" formula.

Earlier that day in its decision in the meat-packing case, the War Labor Board held that Congress, in its amendments to the Price Control Act, had adopted the general relationship of wages and prices that existed on September 15 and that the War Labor Board was "duty-bound to stabilize wages at the September 15, 1942, level."

All wages covered

The Executive Order of October 3, 1942, extended the authority of the War Labor Board to cover all wages and salaries in all industries.

The Treasury Department is given the responsibility for administering the regulations for all salaries except those under \$5,000

where such employees are either represented by a duly certified labor organization or where they are not employed in a bona fide executive, administrative, or professional capacity. All other salaries, along with all wage payments, are subject to WLB regulation.

In carrying out this task, the War Labor Board is being assisted by the Wage-Hour Division of the Department of Labor. Regional offices of the War Labor Board have been established in twelve principal cities: Boston, New York, Philadelphia, Atlanta, Kansas City, Cleveland, Chicago, Dallas, Denver, Seattle, Detroit, and San Francisco. Each regional director is to be assisted by an advisory board composed of representatives of labor, industry, and the public. Gradually, the plan is to develop these boards into little War Labor Boards in each of these areas.

Blanket exemptions

Several blanket exemptions from the wage ceiling have been announced by the War Labor Board.

For administrative reasons employers with not more than eight workers are exempted. Such employers can continue making their own wage adjustments without obtaining the approval of the War Labor Board. Within this exemption will fall many small retail and service establishments, barber shops, groceries, filling stations, tailor shops, jewelry stores, radio and drug stores, parking lots.

A number of companies have automatic promotion systems by which any employee working a certain number of years gets an increase in his salary or wage. Such increases are still permitted as well as wage increases under established merit systems.

Wage stabilization must remain a constant process of adjustment. As the War Labor Board noted in one of its decisions, "there is not such a singular thing as an American wage level but rather, there are many wage levels in this country and they are in constant flux."⁹ However, a broad outline as to the sort of adjustments that will be permitted was laid down in the Executive Order of October 3, 1942, which said in part:

"The National War Labor Board shall not approve any increase in the wage rates prevailing on September 15, 1942, unless such increase is necessary to correct maladjustments or inequalities, to eliminate substandards of living, to correct gross inequities or to aid in the effective prosecution of the war."

Correcting maladjustments

On November 6, 1942, the Board unanimously adopted a wage policy under which it would measure requests for wage adjustments under the Executive Order.

"Maladjustments" are taken by the Board to refer to conditions where wages have lagged behind living costs. For the first part of

the war, wages and living costs remained pretty much in balance. Since January 1, 1941, there has been a race between the two. By the end of April, when the President announced the program to control living costs, there had been a 15 percent rise in the official cost of living index. Some wages had risen by more than 15 percent; others had lagged behind.

In the "Little Steel" case, the War Labor Board laid down the general formula of approving general increases in straight-time rates only up to 15 percent above the January 1, 1941, level. Workers whose wage rates had risen by more than 15 percent would not be entitled to increases.

This "Little Steel" yardstick is now to be applied by the Board as a general rule in all cases of maladjustments. Increases in average wage rates will not be granted beyond 15 percent over the levels prevailing on January 1, 1941. The yardstick is not applicable to individual workers but only to groups composed of all the employees in a bargaining unit, in a plant, company, or industry.

Inequalities and gross inequities

Inequalities and gross inequities arise out of differences in pay for identical or closely similar work. In some cases these inequalities may be within a plant, or they may exist between separate plants in an industry or between industries.

There always are differences in wages, of course, and those normal wage differentials which are established and stabilized will not be disturbed. Adjustments will be limited only to those wage inequalities which are so discriminatory as to represent manifest injustices.

With our general manpower situation growing steadily tighter, cases are bound to arise where employers will lose workers to competitors whose wage scales are higher. These employers will want permission to increase wages in order to hold their workers. From the point of view of an individual case, an upward wage adjustment may seem to be what is needed. Considered on a national scale it becomes clear that wage adjustments granted for such a purpose could only stimulate the pirating of workers from plant to plant and would prove futile in the long run.

In its November 6 statement of policy, the War Labor Board made clear that it will not grant wage increases "for the purpose of influencing or directing the flow of manpower." The migration of workers from job to job is a problem to be worked out as part of a comprehensive manpower program.

Where in any particular case management and labor in cooperation with the War Manpower Commission and other Government agencies do take concerted action to solve a manpower need, the Board will con-

sider a request in that case to correct whatever inequalities or gross inequities that may need correction.

Such wage adjustments would clearly aid in the effective prosecution of the war.

As to adjusting substandards of living, the Board has had so little experience with such cases that no general policy has been formulated. Instead, each case will be taken up separately.

Dispute cases

The cases that will come before the War Labor Board might be divided into two general classes. There will be cases where workers and employers do not agree and the Board will have to settle the differences. We could call these "dispute cases." Then there will be cases where employers will be willing to grant the wage increases and no dispute will be involved.

Dispute cases first must go to the United States Conciliation Service of the Labor Department. If the conciliator is unable to work out an agreement, he may be able to persuade the parties to agree on an arbitrator. The arbitrator's decision would then be subject to Board review. If no agreement is reached, the case goes to the War Labor Board. The Board may assign it to a mediator or to a tripartite panel for investigation before taking up the case for decision.

Nondispute cases

If a dispute over wages or salaries is ended by an agreement or an arbitrator's award, or if the employer decides voluntarily to grant an increase and there is no dispute, the case then follows along in the procedure outlined for non-dispute cases. The first step in non-dispute cases is for an application to be filed with the nearest office of the Wage-Hour Division. The Wage-Hour Division offices rule whether the increase in question requires the approval of the War Labor Board. If approval is required the application is passed on to the regional office of the War Labor Board. The regional director is empowered to rule on the bulk of the cases. Appeals from his rulings may be referred to a tripartite panel. Certain cases will be passed on to the Board in Washington for final decision.

OPA can intervene

To prevent wage increases from upsetting the cost of living, the President's Executive Order of October 3 requires that the Office of Price Administration be given the opportunity to advise whether a proposed wage increase will require a change in the price ceiling.

In dispute cases, the War Labor Board notifies the Office of Price Administration when the fact-finding panel reports its recommenda-

tions and the OPA is allowed to make its representations before the Board decides.

In nondispute cases the employer must state at the time he files for permission to increase wages whether he believes a price increase will be needed. If it will, he must file an application for such an increase simultaneously with the Office of Price Administration. OPA can then determine whether a price increase would be required, notifying the War Labor Board.

In both dispute and nondispute cases where a possible price rise becomes involved, the decision of the War Labor Board must be approved by the Office of Economic Stabilization. The Board also must consult with Director Byrnes before approving any general wage increase.

Union security

When the War Labor Board was established, extremists among both labor and management made dire predictions about the so-called "closed shop issue." It was going to wreck the board, they predicted.

But, in the democratic way, a middle ground has been found, by conciliation, discussion, and agreement in the so-called "maintenance of membership clause" which has become one of the nation's basic labor policies.

"Maintenance of membership," or "union security" as it is also called, means that a worker who belongs to a union must remain a member of that union for the life of the contract that is signed with the employer. A worker who does not belong to the union is not compelled to become a member to keep his job. Nor is a union member deprived of his free choice to quit the union. Under the board's decisions, a worker generally has been given 15 days in which to make up his mind whether he wants to stay in the union or get out. In those 15 days any worker may resign from the union. If he doesn't he must remain a member in good standing for the life of the contract. The contract is signed by the union as the representative of the workers and each worker is bound by its provisions.

For the union, "maintenance of membership" is a guarantee that a union chosen by a majority of workers will not have to spend its energies fighting to maintain its membership through the war. Instead it can devote all of its energies to getting ahead with war production.

Union security is a fine example of democracy's ability to find a "middle ground" on which all can take their common stand.

Collective bargaining stays

The various laws passed to protect labor standards and workers' rights remain in operation. Under the Fair Labor Standards Act

minimum wage scales are maintained and overtime is paid after 40 hours of work. The Walsh-Healey Act and the Bacon-Davis Act protect labor standards under Government contracts and in the construction field. The National Labor Relations Act protects workers against discriminatory discharge and against refusal to bargain with accredited labor representatives.

The machinery of collective bargaining will be relied upon in good part to decide what wage adjustments can be made.

There is a positive side to wage stabilization as well as the negative one of foregoing wage increases. Implied in wage stabilization are positive measures to adjust the wage structure, eliminate inequities, and remove substandard conditions.

A method likely to be employed to accomplish this will be industry-wide stabilization agreements, voluntarily arrived at by conference and negotiations in which workers and employers sit with officers of the Government and arrive at a properly stabilized wage level. The shipbuilding and building trades stabilization agreements are examples of such agreements.

More agreements are likely to be pushed in the future.

Collective bargaining procedure must be modified to meet the war needs. Yet it remains a vital instrument, and will be kept in good functioning order for after the war.

Manning Tables

The War Manpower Commission has worked out a method by which employers can count on an orderly withdrawal of drafted workers, with ample opportunity to train replacements. Under this plan essential war plants may anticipate future labor needs through use of the War Manpower Commission's manning tables. These forms, when filled out by the employer, determine for him how efficiently his working force is being utilized, how adequate are the programs for training, upgrading, and promotion.

The manning tables also reveal the number of employees subject to induction. Local Selective Service Boards can use information compiled by the employer to check against requests for deferment, and the intervening period can be used to train a replacement worker.

A withdrawal and replacement schedule can provide a bird's-eye view of the plant's manpower. The summary tables show how many workers are or are not to be considered for replacement because of draft classifications. A separate table lists by name the workers likely to be inducted, with checks by each name to indicate those it will be necessary to replace in successive future months. Accurate estimates are thus established for the time when each job will require a replacement. The schedule will also serve as a guide to the local Selective Service Board.

13. PARITY FOR FARMERS

What has been said of workers holds equally for farmers. If the general price ceiling is to be held, farm prices cannot be permitted to go up and up.

Food and clothing prices represent by far the largest items in the budgets of the average working man. Families with average incomes of less than \$1,000 a year—before the war they comprised more than 40 percent of our total population—normally devote more than half their budgets to food and clothing. Since all families must now pay greatly increased taxes necessary to win the war, rises in food prices become particularly harsh. Some factory workers and farmers have had their incomes increased sufficiently to absorb these higher food prices. But millions of workers have not obtained wage increases and still other millions of people are living on fixed incomes.

When the General Maximum Price Regulation was announced, items representing about 40 percent of the average family's food budget had to be exempted. Perishable foods were left out for administrative reasons, but most articles were exempted because of the agricultural provisions in the Emergency Price Control Law forbidding ceilings on farm products below 110 percent of parity.

Because of this, farm and food prices continued to rise through the summer of 1942, forcing up living costs. In his Labor Day speech the President told Congress that uncontrolled food prices had been rising at an average of $8\frac{1}{2}$ percent a month since May 1, 1942. This movement of prices, the President warned, "has been so drastic as to constitute an immediate threat to the whole price structure, to the entire cost of living and to any attempt to stabilize wages."

The President reiterated the request made in his April 27 message that the "original and excellent objective of obtaining parity for farmers of the United States be restored."

On October 2, 1942, Congress passed amendments to the Emergency Price Control Act permitting price ceilings to be established for farm products at parity or the highest farm price between January 1 and September 15, 1942, whichever is higher. In calculating the full parity return due to farmers the President instructed that cash benefit payments made under the Federal farm program be included along with the price.

The new law insures the maintenance for two years after the war of support prices set up by the Government to encourage the production of farm commodities. The floor under prices of those farm products for which increased production is requested was raised from 85 to 90 percent of parity and loans by the Commodity Credit Corporation to farmers were increased from 85 to 90 percent of parity for cotton, rice, tobacco, and peanuts. Loans to encourage feeding of livestock on wheat and corn will be made at 85 percent of parity.

Farmers are well off

The point at which the halt was called to rising prices is not unfavorable to farmers. Farm prices in general are already at the highest levels since the boom years immediately following the last world war. As of January 15, 1943, wheat was \$1.17 a bushel; corn, 88 cents; hogs, \$14.07 per hundredweight; cotton, 19.7 cents a pound. Cash farm income is the fattest on record.

The cash income of farmers in 1942 is figured at approximately \$15½ billion, against \$11.8 billion in 1941, \$9.1 billion in 1940, and \$8.7 billion in 1939.

Not only was cash farm income in 1942 the largest on record, but for the first time in 20 years the annual average of farm prices reached parity with other prices.

Since the outbreak of the war in Europe the average of farm prices has risen about 92 percent, and farm income by about 79 percent while the average of prices paid by farmers (including interest and taxes) has increased about 25 percent. Prices received by farmers rose from relatively low levels, but for the last year the average of prices has been practically at parity. In November 1942 the ratio of prices received to prices paid by farmers was 109 percent of parity.

It is true that in the past many farmers have suffered from low prices and disadvantages in our economy. Some shortsighted farm leaders seized upon this fact to advocate that the farmer ought to "get all he can now while the getting is good." Many workers, too, have suffered for years from low wages and an unfair share of earnings compared with the efficiency of their labor. And some shortsighted labor leaders have advocated that labor should "get all that it can get while the getting is good."

If the majority of farmers and workers had approved such a position we might now be losing the war; we most certainly would be preparing disaster for ourselves after the war.

Until recently both farmers and workers were able to improve their positions with regard to prices and wages. Now, however, with the heap of consumer goods shrinking, both realize that neither

can continue bargaining for a greater share. Both must make sacrifices, and the way to do it is together, along with the rest of the Nation.

Farmers are not being asked to give up more than other groups. In fact, cash farm income for 1943 is expected to be considerably higher than in 1942, even if there is no change in present prices. If 1943 production goals are attained, the increased volume of production will yield an estimated cash farm income of \$17.5 billion, exclusive of benefit payments.

The suggestion has been made that labor costs be included in the parity formula. Had that been done in the years before, farmers actually would have received lower prices. To juggle the parity formula now might yield a temporary gain during the war but one which would be paid for many times over after the war. Director Byrnes has warned:

"Certainly it would not be in the real interest of the farmers to introduce any change in this formula which would give them a temporary and illusory advantage during the war and which would, if applied year in and year out, actually reduce parity prices to the farmer."

Farm costs controlled

Preventing the rise of living costs is an additional boon to the farmer in that it preserves his "parity" position. If a stabilized parity relationship is maintained, both the prices received and the prices paid by farmers can remain at about their present levels. Even under the incomplete controls established in May 1942, prices subject to ceilings did not advance materially.

Farmers as well as wage earners benefited from the fact that the average price of 28 basic commodities increased less than 1 percent during the first 4 months of control. There had been a 29 percent increase in those items in the 14 preceding months and a 67 percent increase in the first 3 years of war.

Wholesale prices generally rose only 0.8 percent during the same four months, as compared with 22 percent between March 1941 and May 1942. Under the amended Price Control Act, ceilings will be more effective so that prices of things the farmer buys should in general remain stable.

The Office of Price Administration estimates that price control has saved farmers \$1 billion in living costs and \$2.3 billion in operating and maintenance expenses—this on the basis of what the cost would have been had prices during this war been permitted to increase as in the last war.

For example, in the last war prices of farm machinery rose 74 percent. This time the increase has been held to 6¼ percent. This difference has been worth \$230 million to farmers. Fertilizers in the

last war rose by 86 percent; this war by 13 percent. This difference has meant a saving to farmers of \$195 million.

A floor as well as a ceiling

The stabilization of farm prices provides for a floor under the prices of most farm products, as well as a ceiling.

Farmers learned in the last war that high prices are not a measure of true prosperity. Prices received by farmers did not reach their highest point until May 1920, a year and a half after the war was over. But the buying power of farm products in terms of their exchange value was the highest in the early part of 1918—about 10 months after the United States entered the war. In the post-war period, prices of farm products came down with a crash. From May 1920 to May 1921 they fell more than 50 percent.

In his radio address on September 7, 1942, President Roosevelt said:

"I think I know the American farmers. I know that they are as wholehearted in their patriotism as any other group. They have suffered from the constant fluctuation of farm prices—occasionally too high, more often too low. Nobody knows better than farmers the disastrous effects of wartime inflationary booms and post-war deflationary panics.

"I have today suggested that the Congress make our agricultural economy more stable. I have recommended that in addition to putting ceilings on all farm products now we also place a definite floor under those prices for a period beginning now, continuing through the war, and for as long as necessary after the war. In this way we will be able to avoid the collapse of farm prices which happened after the last war. The farmers must be assured of a fair minimum price during the readjustment period which will follow the excessive world food demands which now prevail.

"We must have some floor under farm prices as we have under wages, if we are to avoid the dangers of a post-war inflation on the one hand, or the catastrophe of a crash in farm prices and wages, on the other."

An Unprecedented Guarantee

Any business that can figure minimum prices for the next three or four years is considered a pretty good enterprise. Farming is in this happy position, for, under the terms of the amendments to the Price Control Act, prices of basic farm commodities are to be supported at 90 percent of parity not only throughout the war but for at least two years after the "January 1 immediately following the date on which the President by proclamation or the Congress by concurrent resolution declares that hostilities in the present war have been terminated."

This means a guaranteed floor under farm prices at least until January 1, 1946—if the war ends sometime this year. If the war does not end by 1944, the floor will continue at least until January 1, 1947. Farmers called upon to expand their production to the utmost need have no fear of the soundness of their investments or a sudden collapse of farm prices when the war ends.

The level of farm prices that has been established will give farmers a record income. Programs of action also are being worked out to ease the many agricultural problems which cannot be solved by means of price—such problems as labor supply, new machinery, adequate quantities of fertilizer and other needed materials.

"Overtime" incentives—new farm program

A new system of incentive payments to stimulate the fullest possible production of agricultural products without upsetting the basic price structure or living costs has been developed by the Government.

The scheme first was put into effect for potatoes, dry beans, and fresh truck crops, and, on January 25, for sweet potatoes, soybeans, grain sorghum, peanuts, flax, and dried peas. As details are worked out, it is planned to extend the system to cover other war-needed crops.

The plan works simply enough. For each war-needed crop a quota of 90 percent of the individual farm goal is set up. For all production in excess of this 90 percent quota, and up to 110 percent of the individual farmer's goal, specified bonuses will be paid.

In a sense the plan might be thought of as a kind of overtime payment to farmers. It has all the advantages of price increases with none of the disadvantages. Farmers are given every financial incentive to encourage additional effort to step up production and to meet any added costs that they incur. Living costs, however, are protected, the distortions of wartime are separated from the normal agricultural picture, and the return to a sound peace economy facilitated.

Increased farm production is sought entirely for war reasons—because of the military necessity of feeding our forces and those of our allies abroad and, as it will develop, the conquered peoples of Europe. If, to meet these abnormal world-wide food needs, inflationary increases in farm prices were permitted, living costs would skyrocket, with all the terrible consequences. Food then would be a weapon, yes—but it would be a two-edged dagger injuring those using it as well as the Axis. Incentive payments sheathe the dagger. They permit us to produce the extra food for world liberation without hurting ourselves.

Paving the way to peace

After the war's havoc is repaired, this abnormal world demand will disappear. If agricultural prices have become distorted, when that demand goes, the price level will go with it. If incentive payments are used to obtain this extra margin of food, however, the payments can be dropped along with the abnormal demand and the basic price structure will be left on a sound foundation for after the war.

It is like overtime wage rates. If overtime pay were abolished, basic wage rates would leap. After the war we would have a distorted wage structure that would take years to rebuild. Instead, we keep the basic wage structure, dropping the incentive pay when the need for overtime ends.

The incentive plan has a further advantage in that it avoids confusing the need for other measures with the effectiveness of cash incentives as a means of increasing production.

For example, it is sometimes hard to tell whether low prices or other difficulties (such as the lack of machinery, labor, or transportation facilities) are hindering increased farm production. Cash incentives for increased production isolate the financial problem from other considerations and make it easier to see what else the farmer needs.

Again, farm income already is great enough for farmers to pay somewhat higher wages to their laborers and still have record net earnings left. Farmers, however, could not possibly pay wages that would compete with nearby war factories. The solution to the farm manpower problem is not for the farmer to try vainly to compete with industry in paying wages but for direct manpower assistance in the form of draft deferments, additional workers, and the assistance of organized land armies. The manpower problems of neither farms nor war industries can be solved by wage increases.

What the new plan does is to offer an incentive to farmers to work harder so as to make the greatest possible use of the manpower, livestock, land, etc., they already have and of whatever further assistance in the way of manpower, fertilizer, seed, and equipment the Government provides.

Winning the peace

Farmers have more at stake than merely the prices of their crops today, next year, and through the war. The Ever-Normal Granary was developed before the war as a permanent means of achieving stability for farm prices and protecting the nation against food emergencies. Up to the war, the sole use that has been made of the Ever-Normal Granary has been to support farm prices. This war confronts us with our first real food emergency since the Granary was established.

It must be shown, now, that the Granary was set up not simply to serve farmers alone, but to serve the national interest. If the Ever-Normal Granary is not used to help *win the war*, the whole principle of the Granary is weakened. It becomes essentially a subsidy to a special interest. After the war, a disgusted nation might discard it.

We have the opportunity of perfecting the machinery of the Ever-Normal Granary during the war so that after the war the Government will be better able to keep farm prices stable and to avoid a disastrous collapse of farm prices such as followed the last war.

This opportunity—not only to stabilize farm prices now but to protect agriculture after the war—was jeopardized by demands for prices well in excess of parity. Farmers will remember how great a victory they won in 1933 when the nation agreed that they were entitled to “parity” prices. To take advantage of the war to obtain substantially more than parity prices would have destroyed the justice of the parity principle. It could well have killed the parity principle.

Boom prices are nice while they last but, as the experience of the last war showed, the hangover lasts longer than the spree. Instead of another boom and crash, the President's program of economic stabilization offers farmers the stability of parity, now and after the war.

Uses of Adversity

In Lancaster County, Pa., farmers were figuring they would have to cut their production by 15 percent. Labor was short and none of the farmers could afford to buy the machinery needed to make up for lost manpower.

A meeting was held and someone suggested the idea of a machinery co-op. This was something new to these farmers and they decided to think it over until the next meeting. They held 18 more meetings before they finally made up their minds to pool what money they had, apply for a Farm Security loan to make up the difference, and buy the machinery.

With it the farmers were able to produce 10 percent more food instead of the 15 percent reduction that threatened them. They not only used the machinery on their own farms but “custom-farmed” for some of their neighbors. They expect to earn enough to pay back their loan and have their machinery clear within 5 years.

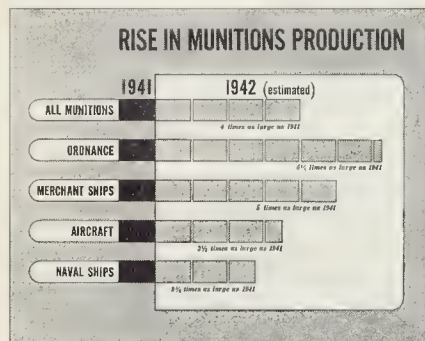
In Dundy County, Nebr., when a farmer has something to send to town or wants something from town he runs a flag up on his windmill. Neighbors going to town look for these flags and stop by.

In Weld County, Colo., two committees are running “Courtesy Patrols” which check farm trucks at beet dumps and advise farmers of maximum loads that their tires will carry.

In Richland County, Ohio, the community thresher was going out of business. Sixteen farmers formed a co-op, bought the equipment, and established a threshing service that goes from farm to farm. The operator gives his time in return for help in threshing his own grain. The service costs 1 cent less a bushel than previously. After 1 year's service enough profit was made to buy a corn husker.

14. WE WIN OR LOSE

This, then, is the program to control living costs—what it means, what is being done and why. It is being pressed so that living costs will remain stable, the buying power of workers, farmers and housewives not be impaired, the savings of our people remain secure, the sacrifices of war fall equitably upon all, rich and poor alike, and, above all, so that we can effectively complete the job of mobilizing ourselves and our resources to meet our production goals and win the war and the peace that will follow.



War Production Board

Naturally, so far-reaching a program will be criticized. Some people may grumble, "It's an attempt to repeal the law of supply and demand." They may argue, "Let the competitive system alone." Or, they may say, "This is totalitarianism. That's what we are fighting against."

In reply to such persons it can be said simply that they do not understand the economies of total war.

In modern war there is no such thing as free competition. Everyone will agree that the most essential things should take precedence over less essential things. That means priorities, so that first things can be made to come first. Priorities automatically suspend the normal workings of supply and demand. What the Government does through priorities is to tell a manufacturer: "You cannot sell your material or services to the highest bidder, you must sell it to the highest use, to war use."

Today there is hardly a field of American business not affected in some way by priorities. Total war implies such a change-over of our economy to produce in overwhelming quantities weapons instead of luxuries, tanks instead of automobiles. We do not hesitate to use the tanks and airplanes with which the ruthless Nazis have ravaged Europe. We cannot hesitate to use the economic weapons of total war.

Helpful hints from Hitler

Hitler would like to see the United States fall victim to inflation, to see our living costs leap out of control, to see Americans bidding against one another and the country divided against itself.

After the President announced the seven-point program to control living costs the Nazi propaganda station DEBUNK went on the air to give Americans a little "practical" advice. DEBUNK is a German short-wave station aimed directly at Americans. It claims to broadcast from the Middle West. These are the five helpful hints from Hitler given by DEBUNK:

1. Borrow money now and buy things.
2. Ask for higher wages.
3. Make England pay cash for shipments.
4. Don't buy bonds (they will be worthless).
5. Make periodical searches of the houses of the wealthy to see if "they have more of this or that than you do."

In other broadcasts DEBUNK has urged people not to repay their debts. In propaganda addressed to farmers, DEBUNK has shouted with alarm at wage increases; in propaganda addressed to workers, DEBUNK has urged them to demand higher and higher wages. "Divide and conquer" is the oldest of the Nazi propaganda games.

It is accommodating of Hitler's stooges to tell us what the Nazis would like us to do to bring on inflation and lose the war.

Hitler knows how inflation can rob a nation of its strength and sap its morale. In fact, the Nazis have systematically resorted to inflation to rob the occupied countries of Europe of the goods produced in factories and the crops grown on farms, to loot the banks and stores, to cheat workers of their earnings and families of their savings and insurance.

This pattern of robbery is brutal in its simplicity. In each of the conquered countries the Nazis have ordered the printing of huge quantities of the domestic currency, francs in France and Belgium, guilders in The Netherlands, zlotys in Poland. In some countries the Nazis have arranged for "loans" from the central banks and in others they have taken over the banks.

In France, the robbing of the people has been done under the guise of "occupation costs." The Fighting French delegation in Washington recently estimated that German occupation was costing \$7.5 million daily. Every hour of occupation was said to cost enough to support 500 French families, of three persons each, for an entire year. About a third of the occupation costs collected by the Nazis are used for the care of German troops.

With the two-thirds that is left, the Nazi war barons go about systematically "buying" everything in sight. They "buy" the stocks of corporations; they "buy" farm mortgages and foreclose on them; they "buy" the goods in shops and most of the food, shipping them off to Germany.

"Buy?"

"Rob" is the word. Systematically these profiteers of Europe strip their victims.

Inflation is slavery

Imagine all that France produces as one great heap. First come the Nazi overlords to cart away much of the heap, brutally, without payment of any sort. That alone would reduce drastically the amount of goods left to the French people and mean severe reductions in their living standards. Then, more Nazis appear with their printed francs to bid against the French people for what is left in the heap. Prices skyrocket and each franc buys less. The Nazis can print more and more francs but the French people have only so many francs.

Workers put in long hours only to find the real value of their wages arbitrarily slashed by the Nazi printing presses. Farmers toil in the field only to have their harvests of grain and potatoes paid for in printing-press money. Most of the heap that France produces is stolen by the Nazis, and the French people must bid frantically against one another for the slim remainder. Frenchman is played off against Frenchman; and the chains of their slavery are nonetheless real because they are the invisible fetters of inflation. Hitler's "New Order" might be described as the "slavery of permanent inflation."

Have you ever wondered how the Nazis figured the amount of "occupation costs" to be levied on each of the conquered peoples? Thomas Reveille, the author of *The Spoil of Europe*, has shown that in almost every country the amount levied was roughly equivalent to what

the nation's military budget would be. In France, "occupation costs" represent more than one-half of the total pre-war national income.

Here again we can see the inescapable logic of total war. Defeat becomes as expensive in dollars and cents as fighting the war. Defeat means that the cost of war is inflicted upon the conquered nation as a permanent charge.

There is a direct parallel here with inflation brought upon ourselves by ourselves. Defeat in our battle against inflation would mean a permanent charge upon all of us, upon our children. Victory in war and victory against inflation both pose the same challenge. Either we make now the sacrifices necessary for victory, or we lose the battle and pay the costs forever.

And as Hitlerism means the slavery of permanent inflation, so the stabilization of our economy symbolizes our hope for enduring stability and security. If peace and order are to be established in a prostrate world, we must be able to exert our leadership as the strongest and least devastated nation in the world. To do so our own house must have been kept in order. If inflation were permitted to disrupt our economy now, after the war there might be a short-lived boom but then, as Director Byrnes has warned:

" . . . Prices would begin to decline; wages would begin to fall; profits would begin to shrink; factories would begin to close. We would have mass unemployment and poverty. If anything like that happened, our people would not be ready to take the part which we are pledged to take to organize the world for peace. There could be no greater tragedy."

Action for all

This fight against rising living costs has been described by the President as "the one front and one battle where everyone in the United States—every man, woman and child—is in action and will be privileged to remain in action throughout the war." Here at home, all of us will "have the privilege of making whatever self-denials are necessary, not only to supply our fighting men, but to keep the economic structure of our country fortified and secured during the war and after the war."

None of us likes regimentation. But the question before the Nation today is not whether we are to be regimented for war. It is not how long we can cling to the things and habits of peace. The question is how we can complete the mobilization of our resources so as to shorten the war and win the peace that will follow. How quickly can we finish that job of mobilization? If we do not answer *that* question, we may lose our chance of ever returning to a free economic society.

We can ask the people of the occupied countries whether the sacrifices are too great. In the words of the President we can:

"Ask the workers of France, Norway, and The Netherlands, whipped to labor by the lash, whether the stabilization of wages is too great a 'sacrifice.'

"Ask the farmers of Poland and Denmark, of Czechoslovakia and France, looted of their livestock, starving while their own crops are stolen from their land, whether 'parity' prices are too great a 'sacrifice.'

"Ask the businessmen of Europe, whose enterprises have been stolen from their owners, whether the limitation of profits and personal incomes is too great a 'sacrifice.'

"Ask the women and children whom Hitler is starving whether the rationing of tires and gasoline and sugar is too great a 'sacrifice.' "

We win or lose—there can be no compromise. We win or lose not only the war but the peace afterwards. In the President's program lies the blueprint for victory on the home front, in the war and the peace. It lies in our own hands now to decide our futures. Free men never asked for more than that.

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Discussion Questions on

"BATTLE STATIONS FOR ALL"

A Leaflet from the Office of War Information

Guide No. 5

These questions are written for groups seriously studying the Government's program for economic stabilization. They are designed to stimulate thought on its purposes and effects and on the relationships between its parts.

Though not based factually on the text of "Battle Stations for All," the questions are arranged according to the titles and contents of the chapters of that handbook. They may be used either chapter by chapter or for the book as a whole.

Battle Stations for All, a publication by the Office of War Information, may be secured at your local war information center, or by writing to the Division of Public Inquiries, Office of War Information, Washington, D. C.

Chapter 1—HOME FRONTS AT WAR

1. How does each of the President's seven points contribute to mobilization for total war?
2. Specifically, how could a reverse on any one of the seven fronts of the economic battle force a retreat on the other six?
3. How does "equality of sacrifice" contribute toward the efficient running of the war?
4. What conditions in our domestic economy at the close of the war will best fit us to cooperate with other nations after the war, economically and politically?

Chapter 2—THE ENEMY—RISING LIVING COSTS

5. Under what conditions is a nation justified in restricting the right of its citizens to buy all the goods they want and can pay for?
6. In what ways does inflation violate the principle of "equality of sacrifice," during the war, after the war?
7. How would "uncontrolled price rises" add to the cost of this war? What would the effects of this extra cost be in the postwar world?
8. What groups would be likely to gain an immediate money advantage from inflation? In the interests of those groups, what would be the balance against that advantage?

Chapter 3—WHY PRICES GO UP

9. It has been said that extra reward for no additional production or service in wartime contributes to inflation, but that extra reward for extra production or service does not. In what ways is this true?
10. "Excess spending" in peacetime is defined in terms of the individual's ability to pay. In war it is defined in terms of the society's ability to spare. Why is it defined differently?
11. What is the effect of increasing money income without increasing the supply of goods which money can buy? Do you notice a general increase of family income in your community? a decrease in supply of civilian goods? What is the remedy?

Chapter 4—STRETCHING SUPPLIES

12. How many ways do you know to "stretch" foods? Household supplies? Clothing? Fuel?
13. How can each of us use less of certain kinds of goods than he used last year? How may we thereby be helping with production? with shipping?
14. For a while America did not produce either much civilian goods or much war goods. Then for a while we produced more of each. Now we must choose between them. Why this development?
15. What is *real* "rock bottom" for you? How much farther can we reduce our standard of living without reducing our health or efficiency? Does this vary with different social groups? Are there any reductions which any of us can make which would improve our health and efficiency?

Chapter 5—TAXES TO BEAT THE AXIS

16. Why is this war costing us so much more than the war of 1917-18?
17. How can taxes affect production and consumption? In this connection, what should be the purposes of a war tax program?
18. Considering the purposes of a war tax program, what does the fact that Americans pay lower taxes than some of our allies signify?
19. It has been said that it is impossible not to "pay as we go" because we can fight only with the men and equipment on hand. Is this so? What are other meanings of the phrase "pay as you go"?
20. In percentage, how much more taxes are you paying in 1943 than you paid in 1942? How much of your total income does this increase represent?

Chapter 6—BILLIONS IN BONDS

21. What advantage is there in the Government's borrowing from the people directly instead of from banks? Why?
22. What are the advantages and disadvantages of a system of voluntary war savings compared to a system of compulsory war savings?
23. Why must war savings be a supplement to instead of a substitute for (a) taxes? (b) ordinary savings?
24. What are the wartime advantages and disadvantages of relying more heavily on savings than on taxes? The postwar advantages and disadvantages.
25. An extension of the social security system has been advocated as an additional means of helping win the war and the peace. Why?

Chapter 7—TAKING THE PROFIT OUT OF WAR

26. In what ways are low production costs desirable now? After the war?
27. How does the rate of profits affect the cost of production?
28. Some persons defend overtime pay for laborers as a wise incentive, but advocate a \$25,000 limit on salaries after the payment of taxes; some others defend salaries beyond this \$25,000 limit as a wise incentive, but advocate abolishing overtime pay for laborers. Are these two groups inconsistent?
29. What are the different methods of restricting profits? How do they supplement each other?
30. Government war contracts have to be reviewed because of our inability to estimate costs accurately. What are some of the factors which make it difficult to estimate costs?

Chapter 8—PAYING BACK DEBTS

31. What are the relations during war between paying debts and paying taxes? between paying debts and buying war bonds?
32. In the United States, 1943, one man lends money to a friend to take a trip; a second man pays an old debt to the bank; a third man buys war bonds. What are the different economic effects of these three uses of money?
33. Iowa farmers say that, in terms of purchasing power, they had to pay back two bushels of corn in 1932 for each bushel of corn they borrowed in 1919. Why was this so? Is 1943 more comparable to 1919 or to 1932 in terms of borrowing?

Chapter 9—PRICE CONTROL

34. If in war all excess purchasing power could be drained off by taxes and savings, would price control still be necessary? Would rationing?
35. In what ways does each of the three methods of maintaining price ceilings affect prices?
36. Suppose that on one item the Government raised the price ceiling and on a second item granted a subsidy to the producer. What would be the different economic effects of the two actions?
37. If the Government "saves" its citizens money through controlling prices, do the citizens have an unqualified right to spend that money as they wish and are able?

Chapter 10—A ROOF ON RENTS

38. We need to take purchasing power away from our people. Many of us rent. High rents take purchasing power away from renters. Why then are high rents undesirable?
39. What is the relation between rents and wages? rents and prices? rents and efficiency?
40. Have rent control regulations been effective in your community? Are there injustices? If so, how might they be remedied?
41. Since not enough new houses can be built in some communities to meet the demand, what other steps besides rent control are needed? Is your community in one of the areas of critical housing shortage? If so, what can you do about it to help?

Chapter 11—A FAIR SHARE

42. How does rationing influence the production and transportation of the things rationed? of things not rationed?

43. There are four different methods of rationing, exemplified by those used for typewriters, gas, sugar, and canned peas. What is each method and why does it suit that product but not the others?

44. Recently when canned goods were rationed, price ceilings were put on certain dried vegetables. Why? What in general is the relationship between price control and rationing?

45. What extra problems does food rationing create for the housewife who seeks to maintain a "balanced diet"? How may she solve these problems?

Chapter 12—STABILIZING WAGES

46. In 1933 we Americans were trying to shorten hours of work, create jobs, increase our purchasing power and raise our living standards. We used wages as a means to do these things. In 1943 we are trying to do exactly the opposite of what we tried to do in 1933. Again we are using wages as a means. In what ways is the problem of wages different now from what it was then?

47. Why should the War Labor Board have to refer some cases involving wage increases to the Office of Economic Stabilization?

48. What changes does war make in the practice of collective bargaining?

49. The WLB has announced that it will not grant wage increases to influence the flow of manpower. Since this method is not used, what other methods might be? What have been recent policies and proposals?

Chapter 13—PARITY FOR FARMERS

50. What are the main differences in the "agricultural problem" of 1943 and that of 1933, when the parity formula was first devised?

51. How might farm prices during the war be used to make the American agricultural system more efficient during and after the war?

52. What are the different economic effects of "incentive payments" for particular crops and the raising of the price of those crops? Is this comparable to "overtime" for laborers and "subsidies" to manufacturers?

53. How do uncertainties in future prices obstruct the attainment of long-run agricultural goals? How do "floor prices" try to remove these uncertainties?

Chapter 14—WE WIN OR LOSE

54. What would be the probable future for America if we "negotiated a peace" with the Axis, leaving them in control of the conquered areas and leaving the present or similar leaders in power?

55. Abraham Lincoln argued that a democracy can do democratically all those things necessary for its survival. Do you agree?

56. In terms of the basic freedoms of speech, religion, and equality before the law, do you think we have a stronger or weaker democracy than in 1938?

57. Democracy has cynically been defined as "a way of life in which nothing difficult is required." What is your definition of democracy?

58. In what ways have our conception of property and individual rights changed during this war? Why?

59. We as private citizens are asked to check up on our fellow citizens to see whether they are cooperating on the home front. What precautions might be advisable to keep this from being abused?

60. Understanding of the problems of the home front by our citizens is a primary requirement for victory. What can you do to promote such understanding?